

FINANCIAL TIMES

WEDNESDAY JULY 17 1996



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Marie Land

Wind power Taking Europe by storm

Environment, Page 8



Berlin

Unified, but still without a role

Libya

Economics, sanctions and football

Italy's Ciampi

Septuagenarian super minister

a success by IMF

The International Monetary Fund said an ambitious Russian antiinflation programme, assisted by a \$10bn IMP loan, had been a success The Russian governwere also applauded by US vice-president Al Gore, who met president Gore, who met presiden Boris Yeltsin (left) yes-

terday in a sanatorium outside Moscow after a planned meeting on Monday had to be rescheduled. Mr Yeltsin's appearance dis-pelled the worst fears about his health but observ-ers at the meeting said he walked haltingly, spoke slowly and looked pale, Page 12, Shaky Yeltsin.

Pensuit's market share declines: Shares in Renault, the French carmaker, fell 2.5 per cent after it announced a sharp fall in its market share in western Europe. Page 13; New car sales tumble, Page 2; Lex, Page 13

Tletmeyer beests rate cert hopes: Bundeshank president Hans Tietmeyer hoosted hopes of a German rate cut by saying the central hank was interested in lowering interest rates if monetary conditions allowed: Page 3

US death sentences attacked: The respected international Commission of Jurists said death sentences in the US were arbitrary and weighted against blacks, Page 5

Ukraine's Pië necepae bomb black Ukrainian prime minister Pavle Lazarenko escaped unhurt when a remote-control bomb damaged his car on the way to Kiev airport, security officials

Israeli sharea tumble: Israeli shares fall almost 4.5 per cent despite attempts to stabilise the coun-try's turbulent financial markets. The decline means the benchmark index has fallen 20 per cent since Benjamin Netanyahu took over as prime minister in late May. Page 13

Earnings becet for top two US banks: The US's two biggest banking groups, Chase Manhattan and Citicorp, each registered large earnings advances in the second quarter. Chase had a 17 per cent rise in net income due to cost-cutting after the Chemical Bank merger, Citicorp's 12 per cent rise in after tax earnings was helped by strung growth from its operations in smerging markets, Page 14

Brussels warns Poland: The European Commission warned that delays in Poland's plans to lower trade barriers could hold up its application for European Union membership. Page 3

S Kores to raise \$200s; for transport planes. The South Korean government approved manning plane for the construction of five massive intrastructure projects costing \$25bp. Page 8

En Liny's sales down Sales growth at US drugs company En Lilly witted during the second quarter due to increasing competition in some international markets and the dollar's recent surge. Page 14

ING Barings settles invent: ING Barings said it had settled the lawsuit it launched last month against rival investment bank Deutsche Morgan Grenfell over the posching of 72 of its Latin American equities staff. Page 15

Tokyo acts over food peleaning crisis: Japan set up a crisis unit to curb the worst out-break of food poisoning in the country's history, after four people died and more than 4,000 children became ill. Page 6

Zinc mine plan chelved: Mining company RIZ-CRA has shelved plans for a billion-dollar sinc mine in Queensland, Australia, rather than seek special legislation to the art objections by aberigi-

Fight Turkish MPs quits Eight MPs resigned from Turkey's centre-right True Path party in pro-test at its alliance with Islamist prime minister Necmettin Erbakan. Page 2

Bomb found on Your de France route; Spanish police detonated a bomb in Pamplona, where the 17th stage of the Tour de France cycle race is due to finish tomorrow. The device, planted in a rubbish hin outside a bank, was detonated after a warning was received. No one was injured.

Princess drops charities; The Princess of Weles is resigning as patron or president of almost 100 charities and organisations. She told the charities her decision arose from her divorce and her wish to re-organise her life.

THE PARTY MANUEL IN COLD

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Russia's efforts to World markets hit by Dow turmoil cut inflation hailed World markets hit by Dow turmoil

Falls sparked by weak technology stocks and fears of US rate rise

By Philip Coggan and Richard Lapper in London

Share priess in New York fluctuated violently yesterday, concluding a day of sharp declines on most world stock markets,

Renewed waskness in technolrenewed weakness in technology stocks prompted the Dow Jones Industrial Average, which plunged 161.06 points - or nearly 8 per cent - on Monday, to regis-ter snother 160-point decline at one stage yesterday. At that level, the average had suffered a 10 per cent fall from its all-time high of 5,778, recorded in

May. However, the market rallied in late trading, and an hour before

the close had entered positive ter-ritory. A series of profits warn-ings in the high-technology sec-tor, allied to fears that a

tor, allied to fears that a strengthening economy would prompt a rise in US interest rates, have caused shares to alide over the last formight.

Further disappointing news from companies in the technology sector, such as Texas Instruments and Compusierve, affected the market yesterday.

The Nasdag index, which has a heavy concentration of high-tech stocks, dropped 41.98 to 1,018.23 by 1pm New York time; some US indices, such as the broad SAP 200, were at their lowest levels of the year at lumbhime.

point gain before its heavy lunch-time fall; a rally then cut the decline to less than 100 points by 1.30pm New York time. There was evidence, as last week, that investors were selling shares to

... Page 11 _ Page 12 Barry Filey Page 13 Page 21 London stooles Page 28 Page 32 World stocks ...

buy US Treasury bonds; the benchmark 30-year issue was three-quarters of a point higher in early afternoon trading. Rarlier yesterday, Asian mar-kets had their first chance to

fall. In Tokyo, the Nikkei 225 average drupped 347.07 points, or 1.6 per cent, to 21,406.35, and there was a similar percentage drop in Hong Kong.

There was a nervous reaction

respond to Wall Street's sharp

in Europe, although the Dow's worst levels were not achieved until after the continent's bourses had closed. In London, the FT-SE 100 index, having been 85.7 points lower at one stage, recovered slightly to finish 66 points off at 3,632.3, its 1986 low.

Other European markets also steadied, with the DAX in Frankfurt notching up a 3.2 per cent decline in official trading but lim-iting that drop to 2.1 per cent in after-hours dealings. European bourses had held up well in response to some of the Dow's recent falls, notably the 114-point

drop on July 5.
Mr Peter Chambers, chief investment strategist at James Capel, said earlier declines were linked to expectations of a rise in US interest rates, Europe was able to sirrug off such concerns because it was at a different stage in the economic cycle than the US. He did not expect a rise in German rates for 18 months to

Monday's fall on Wall Street reflected concerns about corporate profits, Mr Chambers said, The continent's bourses had been badly affected as "a fair chunk of



1,000

European earnings is based in the US". A further adverse factor yesterday was that Wall Street's decline led to a fall in the US dollar, which lost three pfennigs against the D-Mark.

Sumitomo refuses UK access to copper trade files

By Emiko Terazone in Tokyo and Kenneth Geoding in Lendon

Sumitomo Carporation has refused to give IIK investigators access to files detailing the copper trades by Mr Yasuo Hamanska, the senior trader blamed by the Japanese trading house for losses of \$1.8hn,

During visits to Tokyo by representatives of the Securities and Investments Board, the UK's top investment watchdog, and the UK Serious Frand Office, Sumi-

tome said it could not give

IK Serious Frand Office, Samblome said it could not give access to the files white its own investigation was in progress.

The UK investigators had to resort to interviewing other copper traders and brokers in Japan, while Samitomo officials said the investigation was so complex it could take "several years" to complete.

Japan's ministry of justice, which had indicated that it would consider launching an investigation into alleged "unanthorised" trading by Mr Hamanaka, and yesterday that it had no formal plans for an inquiry.

Neither the SIB nor the SPO have any authority to conduct investigations in Japan or to demand that Sumitomo hand over files. They rely on the goodwill of the Japanese trading house, which dismissed Mr Hamanaka last month.

Justice ministry afficials supplassed that, to impect the files, the UE investigators would have to make a request to the Japanese foreign ministry which would pass it on to the justice ministry and its prosecutors.

The ministry said, however, there had been no further contact since the SIB and the SPO visited Tokyo last month.

In London, the UK agencies insisted they had achieved the main purpose of the Japanese visits — establishing personal contact with counterpure there.

"We want it in he a model of international co-operation because that is the only way the truth jabout the Sumitomo cup-

became that is the only way the truth [about the Sumitomo cup-per affair] will be arrived at," an

SFO official said.
No further visit by the SFO was planned at present but "we will go back again if the need.

An SIB official said Sumitome continued to indicate its willingness to co-operate with the UK authorities. The visit to Japan had been partly to establish who would be taking the lead should the authorities there hold their term investigation. own investigation. It was clear to the UK agon

that the Japanese justice minis-try was taking the lead role, but the ministry of international trade and industry, which over-sees the country's trading houses and commodities trading, was also involved. Both had said they were willing to co-operate with UK and US investigators,



Clinton delays action on Cuba business links

By Jurek Mertin and Nancy Dunne in Washington

President Bill Clinton yesterday affirmed the US right to sue foreign companies using Cuban assets formerly owned by Americans, But he sought to placate trading partners by impos-ing a moratorium of at least six months on the filing of suits.

Mr Sandy Berger, deputy head of the president's national security council, said Mr Clinton had decided to let the controversial Title III of the auti-Cuban Helmsto use it "not as a sledge-hammer but as a lever" to promote democracy in Cuba.

Mr Berger said the president had decided that foreign companies needed to be put "on notice" that the US was determined that they cease doing business in Cuba unless there was substantial political and economic reform there.

In suspending any lawsuits for six months - and raising the pos-

However, the European Union said yesterday that it would continue with plans to rotaliate to the act. A European Commission statement said that, while it welcomed Washington's decision to suspend the implementation of Title III, the extra-territorial nature of the law still remained. A British embassy official in Washington said the UK was "pleased" at the suspension, "dis-appointed" there was no full

waiver of Title III and "happy" to use the next six months for consultation on the future of Cuba. year to placate a strong Cuban-American lobby, allowed lawsuits against foreigners dealing in assets confiscated in Cuba since 1959. It attracted threats of retaliation from the EU. Canada and Mexico. Companies based in these countries could have faced

costly US court actions. Mr Berger noted that by implementing Title III - the object of the most intense allied criticism any liability attaching to foreign companies for "trafficking" in configured US property in Cuba

> Continued on Page 12 Lawsuits postponed, Page 5

TI profits fall 73% after steep drop in global chip market

world's leading electronic equip-ment groups, confirmed the severity of the decline in the world semicondustor market by reporting a 73 per cent slide in second-quarter net income to

second-quarter net income to spen.

The result, which was much worse than analysts expected, contributed to the heavy early splling of technology-related shares on Wall Street.

Ti, one of the world's largest semiconductor makers, said fuling memory chip prices were the mimary cause of the deterioration in its earnings.

Average prices for Dynamic

Average prices for Dynamic Random Access Memory (D-Ram) chips, data storage devices, fell by 65/75 per cent in the second quarter, against the same period last year, and by 40-50 per cent from the first quarter of this

year it said.

Trs shares, which were about \$60 at the beginning of this month were trading at \$41% in mid-session yesterday, down about 3 per cent from Monday's

close of \$43%. Net earnings for the quarter

Two leading semiconductor makers yesterday changed their production plans in response to the fall in world chip prices.

Hitachi, Japan's largest electronic equipment maker, halted output at a pew semiconductor plant and postponed big investments in capacity, Meanwhile Rockwell International of the US is to delay production for at least 13 months at a \$1.2m semiconductor water factory in Colorado Springs.

Report, Page 13

compared with \$378m or \$1.44 a abare in the second quarter of 1995. Revenues fall to \$3.8pm from \$3.94hn in the same period last

TI predicted that world semiconductor market revenues moniq shripk this year after an growth. As recently as last December II had been projecting market growth of about 20 per cent for 1996.

The long-term outlook for the world semiconductor market remained strong, however, with consumption expected to double over the pext five years to about

Were \$780s, or 30 cents a share, CONTENTS

British Rail The Sale of **BR Business Systems** The British Relivers Board tediates they bateural lateries invites didentations to operational systems, BRBS also Systems integration Application development and information systems and services to the LIK reliway industry and has Facilities management of the information systems Information aystems installation BRES provides: and autoport Passanger tickering, settlement * Bureau Bervices. and distribution systems for the in the year ended 31 Merch train operating companies. 1996, BRBS had turnover of systems for Railtrack and train epproximately £87 million. operators essential to the

OTHE FINANCIAL TIMES LIMITED 1996 No \$3,087

Ukraine PM

escapes bomb

emote-controlled bomb exploded as his car drove past.

crater 3m wide and 1m deep in the road.

two cars in the cavalcade, including the one carrying the

Mr Pavel Lazarenko, the recently appointed Ukrainian prime minister, yesterday narrowly escaped serious injury when a

Neither Mr Lazarenko nor his aides were badly hurt, but

prime minister, were shattered by the blast. The explosion left

The motives behind the attack were unknown. Some government officials speculated that it had been instigated by

political or business groups threatened by Mr Lazarenko's

intended as a warning to Mr Lazarenko and had not been designed to kill or seriously injure him.

Mr Lazarenko had received death threats against himself

representative in his native city of Dnipropetrovsk, in east Ukraine. The warnings then were thought to be linked to his efforts to crack down on corruption at the city's central

and his family in 1992 when he was the presidential

efforts to resolve the coal miners' strikes in the east of the country. Another observer in Kiev believed the explosion was

EUROPEAN NEWS DIGEST

Tietmeyer raises hopes for rate cut

By Peter Norman in Bonn

Mr Hans Tietmeyer, the Bundesbank president, yester-day boosted hopes of reduced German borrowing costs by declaring that the central bank was interested in lowering interest rates if monetary con-

In an interview with the German economic news agency VWD, Mr Tletmeyer said the bank's central council would carry out its summer review of monetary policy at its next

meeting on July 25.
It was already clear, he said, that there would be no decision to raise rates either now or in the foreseeable future. Instead, the Bundesbank was interested in keeping rates "as stable as possible or even lowering them somewhat, insofar as monetary conditions

The Bundesbank went to considerable lengths to publicise Mr Tietmeyer's remarks by contacting news organisa-tions, including the Financial Times. Officials said it was anxious that financial markets should not think last Friday's rise in the Dutch central bank's special advances rate to 2.7 per cent from 2.6 per cent presaged German rate

Mr Tietmeyer has hinted several times in recent weeks that there might be scope for lower German rates. The Bundesbank cut its psychologically important discount and Lombard rates by half a percentage point each to 2.5 per cent and

These rates determine the floor and ceiling of German money market rates. But the securities repurchase rate. which determines the actual short-term money market rates, has been stuck at 3.3 per cent since February. In theory, Bundesbank inter-

est rate decisions are guided primarily by the growth of M3, the broad money measure which has been well above the 1996 target range of 4-7 per cent so far this year. However, M3 growth has decelerated in recent months. It was last recorded at an annualised rate of 10.5 per cent in May over the final quarter of 1995 after 11.2

per cent in April. Since the last M3 report, it has been announced that pan-German year-on-year inflation was at an all time low of 1.4 per cent in May and the government has produced a tough draft federal budget envisaging a 25 per cent cut in spending next year. Another factor which could influence the bank is the D-Mark exchange rate. Mr Tietmeyer, in particular, does not want to see any gain that would erode Germany's

international competitiveness. However, the Bundesbank president, although undoubt-edly influential, is only one voice among many in the bank's decision-making council. The future level of interest rates will be a subject of keen

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Looks in good shape, says Gore, but others are not so sure

Shaky Yeltsin back in limelight

have suffered a relapse.

Mr Gore - in Moscow to

meet Mr Victor Chernomyrdin,

the Russian prime minister -

praised Russians effusively for

their "brave decision" to re-

By Chrystia Freeland

President Boris Yeltsin yesterday emerged from nearly three weeks of sectu-sion to meet Mr Al Gore, the US vice president, in the Barvikha sanatorium just outside Moscow.

ance dispelled the very worst of the fears which were provoked on Monday when the Russian leader cancelled a meeting with his American visitor at the very last minute. However, the small group of independent observers who were admitted to the beginning of yesterday's session said that Mr Yeltsin was walkning of yesterday's session mild heart attacks in the past said that Mr Yeltsin was walking haltingly, was speaking peared from public view, rais-

Sales of new cars in western Europe fell by 8.8 per cent last

month, prompting concerns in

the industry that this year's

unexpectedly strong growth in demand may have ended.

of growth in new registrations

in the first half of 1996 to 4.8

per cent, compared with 7.5 per

The downturn reinforced

would rise by 2-3 per cent this

year - some analysts had

revised their predictions

upwards after the surprisingly

Last month's data, partly

provisional, showed sales down

in nine of 17 markets moni-

tored by the European Auto-mobile Manufacturers' Associa-

of Europe's five biggest mar-

kets, and the rate of decline

accelerated in France and

Italy, where sales had started

Sales in France dived by 32.1

in Italy. Even the big German

market reported a 3.3 per cent

tion (ACEA).

falling earlier.

buoyant January-May period.

cent in the first five months.

The decline clipped the rate

slowly and looked pale. Mr Gore, whose chances for re-election this autumn on a ticket with President Bill Clinton could be boosted by a visibly successful Yelisin administration, sought to play down concerns about the Russian

"I think he is relaxing and getting some needed rest, but to me be looks good," said Mr Gore. "On every score, President Yeltsin was actively engaged and seemed in very good shape to me." Mr Gore was the first western leader to meet Mr Yeltsin

create significant consumer

demand. Therefore, the under

lying trend remains weak sales

growth," said Mr James Rosen-

stein, ACEA's director of com-

Most carmakers reflected the

fortunes of their home mar-

kets. Renault and Peugeot-

Citroën reported some of last

month's sharpest falls among

the big companies.

Added to the distortion

caused by the French incentive

demand for diesel-powered

cars, in which Renault and

Peugeot-Citroën are relatively

for 40 per cent of the French

market in the first half of this

year, compared with 45 per cent in the same period in 1995. Renault sales fell 20.9 per cent last month - the largest

fall of any big manufacturer. Sales of Peugeot-Citroen

Almost the only improve-

ments in last month's Euro-

pean registrations came among

Korean brands, which built on

their strong push with a 122

manufacturers to report signif-

"We believe the fundamen- Lex, Page 12; Renault, Page 13

slipped by 14.4 per cent.

strong. New diesels accounted

cheme, was a fall in domestic

New car sales tumble 8.8% in

western Europe during June

ered US government team, the US vice-president and his Russian counterparts signed a raft of agreements. These included a deal to share information since June 26, when the Russian leader, who has had two about civilian nuclear power plants, a number of environ-mental projects, and a

TOTAL MARKET

General Motore

Lancia

MANUFACTURERS

iarge quantities'

ing concerns that he might on building an international space station. The upbeat mood of the visit was dulled slightly by continued violence in Chechnya, where fighting crupted immediately after the presidential ballot. Intensified clashes on

elect Mr Yeltsin earlier this the ground were fuelled by a conth. The vote would open the way to "a new period of bellicose outburst from one of Russia's top security minishistory in which investment capital flows to Russia in very Mr Gore said he had mrged Together with a high-powthe Russian leadership to seek a peaceful solution in the breakaway region and hoped the "great optimism" reigning

WEST EUROPEAN NEW CAR REGISTRATIONS

886,706

851,624 29,904 817,046 849,981 93,660 71,941 816,580

809,536 7,044 807,860 479,116 328,544 867,760

96,841 85,308 96,488

in other aspects of Russian life would spill over to the festering conflict in Chechnya. However, the dovish Mr Chernomyrdin offered a more

100.0

ted" that the pre-election ceasefire had collapsed and vowed to press for a peaceful

His hopes appeared to be undermined by the uncompro-mising comments of Mr Anatoly Kulikov, the interior min-

Mr Kulikov, whose troops are playing a central role in the fighting, accused Chechen separatists of setting off the two bombs which terrorised Moscow last week. He said this "bloody terror" mileashed by the Chechens, left the Russian authorities with only one option: "to destroy the bandits who carry out these crimes."

MPs quit Ciller's party over alliance

Eight MPs resigned yesterday from Turkey's centre-right True Path party, further we ening the position of its leader, Mrs Tansu Ciller, in her uneasy alliance with Mr Net-mettin Erbakan, the Islamist

The rebel MPs' resignations had been expected since they voted against the coalition in last week's parliamentary vote of confidence. However, their departure could further jangle the nerves of financial markets concerned about the growing influence of Mr Erbakan's Refah party in government pol-

Mr Mehmet Kutman, chairman of Global Securities, a leading Istanbul brokerage, said Relah "has 90 per cent of the power and True Path is increasingly fragmented and Refah can dictate its policies".

True Path now has only 120 MPs to Refah's 159 and the goveriment's majority has fallen to four in the 550-member parliament. Mrs Ciller may control the main economic portfolios, the interior and the defence ministries, but it is Mr in these areas. Mrs Ciller her-

self is foreign minister Mr Erbakan has taken a maderate line so far, scrapping his radical proposals for ending the customs union with the European Union and pulling Turkey out of Nato, but there is concern that he is consolidating effective control over

the government. On Monday, markets plunged following statements by Mr Abdullatif Senter, the mist finance minister, that interest rates should be capped. Yesterday, news agencies reported that the nominally autonomous central bank would come under Mr Erbakan's control

However, Mr Kutman said: The central bank is always tied to the prime minister. We have to wait and see before anyone can say whether this is good or bad. I do not think Refah will pursue populist or Islamist polices like many peo-

ple are saying."
There is no indication that Mr Gazi Ercel, the respected central bank governor, would be removed. But bankers suspect he would resist government demands to loosen monetary policy and fear markets would react negatively to a

forced resignation. Business executives are demanding that Mr Erbakan make a clear statement on the government's economic proeramme in order to calm the markets. Only Mrs Ciller spoke yesterday, promising to spell out on Monday how the gov-ernment would finance its spending plans without accelerating inflation.

Mr Erbakan and his ministers maintained silence.

West debates Bosnian mandate

US envoy Richard Holbrooke (left) being met at Sarajevo airport yesterday by US ambassador to Bosnia, John Mensis

France yesterday began sounding out its fellow members of the United Nations Security Council about a possible boosting of Nato's mandate in Bosnia, so as to provide for firm action against Bosnian Serb leaders who are wanted for war crimes. UK officials said Britain would want to consider the military odds very carefully before agreeing any change in Nato's stance. At the moment, Nato peacekeepers have instructions to arrest any suspected war criminals they "come across" but they are not empowered to mount manhunts.

Before any change of policy, Mr John Major, the UK prime minister, would ask British commanders for a "reasoned military view" of the feasibility of an operation to snatch Mr Radovan Karadzic, the Bosnian Serb leader, and other figures suspected of atrocities, one UK official said.

Mr Richard Holbrooke, the architect of the Dayton peace agreement, re-entered Balkan politics yesterday by flying to Sarajevo, where he said the US was "very concerned" over non-compliance with the peace accord by the parties, especially the Serbs. Asked about a change in Nato's mandate, he said: "As far as I'm concerned, Nato has all the authority it

Bonn invites digital phone bids

The German post and telecommunications ministry will today invite bids to operate a fourth digital mobile telephone network from May next year. A consortium comprising Viag, the German industrial conglomerate, RWE, the utility, and British Telecom is expected to bid for the licence to operate the network and is thought to have a good chance of winning it. Germany's existing digital mobile phone operators -Deutsche Telekom, Mannesmann and Thyssen/Veba - are barred from applying for the so-called £2 licence.

The ministry said the successful bidder would have to reach. at least 75 per cent of the German population by the end of 2001 with the 1800 megahertz system. Bids will be accepted until October 15 and the ministry will make its decision by

Greek ceiling on overdue loans

Greece's central bank yesterday set a ceiling for penelty interest rates on overdue loans at 25 per cent above current borrowing rates. A Bank of Greece official said that although interest rates had fallen by around 10 points in the past three years, banks were still charging penalty rates of 4-5 per cent above current rates for working capital. The move is expected to benefit smaller companies with face cash flow problems.

The central bank, which is trying to improve transparency in Greek banking, also ruled that commercial banks must provide customers with full details of charges imposed on overdue loans. A bank official said that gaps in procedures meant that "many borrowers are not aware of exactly how much they are paying in extra charges". Kerin Hope, Athens

Albania ends key price controls

The Albanian government announced late on Monday that it had lifted controls on bread, gas and paratin prices, raising fears of rocketing prices and unrest. However, the price of electricity, petrol and water will continue to be controlled. Bread prices and supplies of basics have been sensitive issues since Albania toppled its hardline communist regime in 1990. In 1991, more than 40 people were killed in food riots. But the government said it would supplement the income of all yublic sector employees and pensioners with subsidies to compensate for any rise in bread prices.

German trade surplus grows.

ECONOMIC WATCH



same period a year earlier. German exports rose 11.7 per cent to DM63.6bn in April, while imports were up 11 per cent at DM55.4hn. In March, the trade surplus was DM6.2bn and the current account deficit was DM1.4bn. In the first four months of 1996, the German trade surplus widened to DM28.4hn from DM27.3bn in the same

account deficit narrowed to

Statistics Office said yesterday. Compared with the

period in 1995. The current account deficit grew to DMS.4bn in the period from January to April from a deficit of DM4.6bn during the same 1995 period. German exports rose 4.8 per cent to DM247.6bn in the first four months of the year, while imports rose 4.9 per cent to DM219.2bn. Reuter, Wiesbaden ■ Sweden's central bank cut its key repo rate to 5.70 per cent from 5.90 per cent. The rate has been cut by almost 3.25 percentage points from the level of 8.91 per cent at which it

■ The Belgium and Luxembourg Economic Union's trade surplus fell to BFr24.8bn (\$789m) in March, from BFr46.1bm a

per cent last month year-on-year (1995 figures were inflated by the final month of an incenper cent surge in sales year-onyear, taking registrations to 1,909,000 1,028,200 125,844 in the first half. This is, France United Kingdom almost 53 per cent above the same period last year. tive programme for new car purchases) and by 4.8 per cent Virtually the only other

Business failure numbers overshadow efforts to cut unemployment

market reported a 3.3 per cent fall. Britain alone stood out in Europe's top five markets, with a 4.7 per cent rise.

Image: The proper stop five markets, with a 4.7 per cent rise.

Benz and BMW.

The proper stop five markets with new models, such as Mercedes, suc

Shutters come down in France

By David Owen In Paris

The shuttered shops of the Félix Potin grocery company on many Paris street corners provide a daily reminder of the rapid rate at which French businesses are fail-

The collapse of the chain of shops late last year after 151 years of supplying food to Parislans was attributed to its failure to modernise and its concentration on the declining activity of selling food from small establishments.
Yesterday, the credit insurance organi-

sation Société Française d'Assurance Crédit published statistics which will make worrying reading for Mr Alain Juppé's government, which is striving with mounting desperation to bring down a jobless total within a whisker of its high-

In the second quarter of this year, more than 17,000 French businesses failed, more than in any quarter since the final three months of 1998, at the end of the last

Cumulative figures for the first half almost 34,000 failures - represent an 11.8 per cent increase on a year ago and a 16.7 per cent advance from the six previous months.

In another worrying trend, SFAC counted 68 failures in the first half of this year of companies whose last known annual turnover figure was at least FFr100m (\$19m), up from 52 in the same SFAC said its figures confirmed "the

descripration in the business climate in France in the first months of 1996, beyond even the statistical disruption linked to the strikes of December 1995".

It continued: "Taking into account the weakness of economic activity and the uncertainties surrounding coming months, it is practically certain that 1996 will bring an increase in the number of company

Over 17,000 French businesses failed in the second quarter, more than in any quarter since 1993

failures after two consecutive years when the number fell". If present trends continue, the number

of business failures in France will come very close to the 68,000 in 1993, the worst year on record. Among companies with annual sales of above FFr100m, the sectors which regis-

tered the worst deterioration in the first half of 1996 were building and public works and industry. About 16,600 employees were affected by

failures of medium-sized and large companies, though SFAC pointed out that not all these jobs would have been lost outright. Several of these companies were family concerns of relatively long standing.

Taking into account all falled companies, building and public works was the sector registering the biggest proportion-ate increase in the number of failures - up by 16 per cent from the first six months of

This was followed by property cup 14 per and consumer services (11 per cent). Only business services recorded a decline, by 2 per cent from levels of the first half of

In regional terms, the number of failures in Alsace and Lorraine in eastern France rose by 35 per cent and 23 per cent respec-tively. This trend was attributed by SFAC to Germany's recent economic difficultie

Failures in the southern France region of Provence/Côte d'Azur were also up sharply at 27 per cent above levels of a year ago.
Mr Jean-Pierre Raffarin, minister for small and medium-sized companies, who

has set a target of cutting the mortality rate of new French businesses in their first three years of existence from 50 per cant - among the highest in Europe - to 20 per cent by the year 2000. The government last week announced

the creation of a development bank aimed at improving the "effectiveness of the sys-tem of public support for financing small and medium-sized companies" partly through a system of loan guarantee mechanisms and partly through co-financing arrangements in partnership with tradi-

Netherlands' economic garden is blooming

Dutch jobs figures are the latest in a harvest of healthy statistics, says Gordon Cramb

late last year, government stat- cent growth in April. isticians said yesterday. They were releasing second quarter oping favourably due to wage jobs data - the latest in a moderation. This is keeping string of healthy indicators for

the economy. The number of seasonally adjusted jobless represented 6.6 per cent of the labour force in the April-June period, down from 7 per cent a year earlier very well, and that is also and from 6.8 per cent in the caused by solid employment three months to May.

The announcement by the

Central Bureau for Statistics

followed its release on Monday

of retail sales figures for May

Netherlands is on a downward rise from the same month in trend after hitting a plateau 1995, accelerating from 4.9 per "The labour market is devel-

exports competitive and is spilling over into the domestic economy, especially the service sector," said Mr Bob Kommers.

economist at ABN Amro Bank. "Consumption is developing growth." In addition, disposable income had been augmented by tax cuts last year, he added.

The retail sales surge,

Unemployment in the which showed a 7.1 per cent although exaggerated by a greater number of popular shopping days which fell in the month, mirrors a cautiously improving trend in consumer confidence surveys. Nor does evidence exist of

upward pressure on prices. Inflation in recent months has held at an annual 2 per cent, its average level for last year. Experis, up 4 per cent yearon-year in the first four months of 1996, are expanding more quickly than expected. Demand was no less strong from the key German market, which takes some 30 per cent of all Dutch exports and has been on the edge of recession

A large part of the country's shipments to Germany are foodstuffs, which are less sensitive to the downturn, and gas, demand for which was buoyed by a cold winter. The Dutch economy has been growing faster than its larger neighbour since 1993, but any further tightening by Bonn would have an impact, economists

Gross domestic product, which grew 1.8 per cent in the first quarter, is officially forecast to emerge 2 per cent higher for the full year before accelerating to between 2.75 and 3 per cent in 1997. hisment means they may now take effect only from 1998. and 3 per cent in 1997.

part on the strength of the wider European economy and also on the extent of tax and social security changes in the ruling coalition's September budget. Reforms aimed at easing the

burden on the government of disability benefits yesterday appeared likely to be delayed, Employers would have a

greater responsibility for pro-viding cover under the widely abused system, as part of a shake-up due to take effect next January. A delay in getting the measures through par-

Gdansk shipvard awaits its financia: saviour

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By Lionel Barber in Strasbourg

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The European Commission yesterday called on Poland to speed up plans to lower trade barriers, warning that delays could hold up its application for EU membership.

Mr Hans van den Broek, EU commissioner handling enlargement in central and eastern Europe, singled out Polish duties on oil imports during bilateral talks in Brus-sels. He also criticised a deal with Daewoo, the Korean car manufacturer, to import 110,000 assembly kits.

The Dutch commissioner told reporters: "It is regrettable that such trade difficulties should affect relations between the EU and Poland at a time when we are working so closely to prepare for acces-Sion. They need to be resolved quickly so that they do not interfere with our preparations for [Poland's] membership."

By contrast Mr van den Brock, praised Hungary's progress in bringing economic, trade and legal standards up to the EU level. After meeting Mr Laszlo Kovacs, Hungarian foreign minister, he declared: The overall picture is a very

positive one. The complaints about Polish protectionism look like an effort to inject a dose of realism into future enlargement negotiations. The Commission has long felt that post-communist governments in Warsaw have played down the difficulties of future accession and aligning the economy to the single market. Brussels

opposes Poland's decision to keep tariff barriers on oil products in place for two years to allow a \$3bn restructuring of

the domestic oil industry. The Commission is also irritated by a deal with Daewoo to export 110,000 disassembled cars duty free into Poland for two years. Mr van den Broek said the duty violates the 1991 agreement that gave Poland associate EU membership and set the terms of EU-Polish trade relations leading to full accession. Poland argues that it is a temporary measure to help restructuring ahead of opening the market to international competition.

Mr Dariusz Rosati, Polish foreign minister, resolved some differences over certification of industrial products, anti-trust rules and Polish import barriers to leather and some farm goods. He appealed for a firm timetable for opening accession negotiations, which most believe are unlikely to begin until the end of 1997 or early

Poland, the Czech Republic and Hungary are widely seen as the front-runners for future EU membership around the turn of the century. Their advanced economic performance as well as their geopolitical importance as neighbours of Germany could put them ahead of the Baltic states, Slovenia, Slovakia, Bulgaria and Romania.

Brussels has sent questionnaires to all 10 central and east European applicants for membership and expects replies by

Poland given Italian 'super minister' talks tough

By Robert Graham in Rome

If things had gone as planned Mr Carlo Azeglio Ciampi would have begun a graceful retirement in 1993 after 14 distinguished years as governor of the Bank of Italy. But first he found himself called to head a transitional government for a year until April 1994. Now, at the age of 75 and still looking spritely, Mr Clampi is playing a pivotal role in the centre-left government of Mr Romano Prodi as a

"super economics minister". Combining for the first time the Treasury and budget portfolios, he symbolises the government's commitment to modernise the economy and join European monetary He is almost obsessive about

the need for international confidence and credibility in the government's policies. But he knows full well how easily sentiment can change. Disagreements within the government last week over incomes policy were followed by sharp falls on Italian financial markets and this week they took further fright at the government's indecision.

In many ways this government's economic policies begin where he left off as prime minister two years back. Since then the privatisation process has slowed and valuable time

has been lost putting the pub-lic accounts in order. Not surprisingly he is a man in a hurry and betrays the occasional sign of irritation when he finds obstacles in his path.

Despite his prestige and weight within the cabinet, his freedom of movement during the government's first two mouths in office has been limited by the need to achieve consensus among the parties backing the Olive Tree alliance. His tough demands for economic and financial orthodoxy cannot easily be squared with the left of the government coalition. This explains the delay in

bringing out the government's programme and in deciding the details of the L16,000hn (\$10.4bn) mini-budget been obliged to see the unions get away with a 3 per cent earnings increase in current wage negotiations against an inflation target of 2.5 per cent for 1997. This will place additional pressure on controlling inflation - the central pillar of economic policy, alongside for-cing down interest rates. Where the Treasury can act

alone, he has moved fast. Already he has signalled his of its own ansets. determination to accelerate In the autumn we plan to privatisation by selling off the sell another tranche of Ent Treasury's final tranches in (the oil group) but at this Ina, the insurance company, stage it has not been decided

Carlo Azeglio Clampi: economy supremo in a hurry

and Imi, the financial institution. He has ruled out the Treasury taking Alitalia, the troubled national strline, on to its books away from Iri, the state holding company. Irl has been told it must find on its own the L8,000bn needed to refloat Alitalia, with the air-

line if necessary selling some

how much." he said in an interview. Last year 15 per cent of Eni was floated, raising His main privatisation concern is Stet, the telecome

group, which is owned 62 per cent by Iri, the state holding company. Dubbed the "mother of all privatisations", the Stetsell-off has been blocked for two years by a powerful crosslobby in parliament. Mr Ciampi was unable to push .

through even a shake-up of the

renewal last month; and the cabinet has twice delayed agreement on legislation for seiting up a telecoms. anthority.

Legislation for this regula-

tory authority is an essential pre-condition for selling offthe core telephones business, and the cabinet should finally give the go ahead today. Hopefully we can get the authority legislation through one of the two houses of par-liament before the summerrecess," Mr. Ciampi said. "Then the other house could process the law by late September, mid-October."

The window of opportunity to sell Sist would then come between Deutsche Telekom in the antumn and France Tele com in the spring. He believes this would probably be in January/February. The Stet sell-off is essential to generate funds to reduce Iri's debt from L25,000hm to below L5,000hm as agreed in 1993 with the EU Commission, Theoretically, this has to be completed by the end of this year but Mr Ciampi believes an extension can be negotiated.

On broad economic policy. Mr Ciampi defends the government's decision to aim to achieve in 1998 the bedget deficit convergence criteria for Emu laid down in the Maas-

year late. He believes this approach is more realistic; and if the economy recovers from its current stagnation in the second half of the year, he is convinced Italy should consider a further financial package in early 1997. "Why not ask the Italians if they wish to be part of the first phase of monetary union to make one

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extra sacrifice?" The possibility of introducing measures additional to the 1997 budget, outlined at L82,000bn, allows him to say Italy has not abandoned hope of being in the first group of countries to adopt the single currency. As it stands the 1997 deficit is scheduled to be 4.5 per cent of GDP (the Maastricht qualifying criterion is 3 per cent). But Mr Clampi is expected to announce this month sharp cuts in spending authorisations which have not been utilised.

The key variable remains interest rates since each percentage point fall means the cost of servicing Italy's huge debt is cut by L15,000bn over 18 months. The Treasury has taken a very cautious view of the direction of interest rates (it is forecasting & per cent next year for 12-month Tree-sury bills, which were 8.8 per cent yesterday); but the Bank of Italy has made it clear to fight inflation it will continue with its tight money policy.

Gdansk shipyard awaits its financial saviour

By Christopher Bobinski

Management and trade unions Polish government to salvage the troubled Gdansk shipyard yesterday as efforts continued to find a foreign strategic

Mr Wieslaw Kaczmarek, the privatisation minister, met shipyard representatives yesterday as workers gathered to demand government action to save 5,000 jobs at the yard famous as the birthplace of Solidarity. But Mr Kaczmarek told them that there was only "a 30 per cent chance of finding an

outside investor". Mr Kaczmarek said three groups of investors had ed an interest in the shipyard but only one, believed to be a group of Norwegian and German banks and shipowners organised by OJ Libaek, a Norwegian ship broker, had picked up an information memorandum on the yard.

The shipyard's problems came to a head earlier this year when state-owned Bank Handlowy refused to negotiate a debt reduction agreement and local banks cut the financing needed to build the 16 vessels worth \$600m currently on order. The banks argue that completing the low-priced contracts would only deepen the yard's losses.

Mr Jerzy Borowczak, leader of the yard's Solidarity union branch, painted a dismal picture of the company's situation. "We are losing our best workers. Over the last couple of months numbers have fallen from 7,300 to 5,900 and those who have stayed are on half pay and working amid power cuts and a lack of the most elementary facilities," he said, referring to supply cuts by util-

ity creditors.

Mr Ryszard Goluch, the yard's chief executive, is currently seeking government credit guarantees to raise a \$13m loan to complete a 48.800dwt bulk carrier for East Asiatic, a Danish shipowner. Another \$28m is needed is to build a 1,500 unit container vessel for Columbia, a Cyprusbased German shipowner.

"We mustn't allow the shipyard to die around us," Mr Gol-uch said yesterday. "We must have between 5 and 7 vessels under construction at any given time to keep the yard going." A business plan prepared by the yard foresees the establishment of a new shipbuilding operation which will use only 60 per cent of the present fixed assets and cut the workforce to 5,000.

Probe of Philip Morris's position in Italy

European Commission officials are investigating possible in the Italian cigarette market by Philip Morris, the US tobacco company, and AAMS,

monopoly.
The competition authorities are concerned that the groups, until recently linked by a licensing agreement allowing the Italian monopoly to use some Philip Morris brand names. together control more than 90 per cent of the market.

Philip Morris's share has jumped from 29 per cent to 50 per cent in 10 years, while the monopoly's share has failen from 65 to 43 per cent. "We have some questions about the way this duopoly functions," a spokesman said. "There is a series of very detailed ques-

tions going back 10 years."
Officials have written to AAMS demanding information on its contracts with Philip Morris and on its distribution activities in Italy within eight weeks - but a full investigation could be lengthy.

Article 86 of the Treaty of Rome gives the Commission the right to investigate dominant positions within the single market, and to order changes in agreements or Impose fines if it finds abuses.
The Commission's attention

was caught by the apparent centration of the market and Philip Morris's share were far higher in Italy than in nearby markets such as France and Spain. The US group's share in Spain is 16 per cent, and in France 28 per cent.

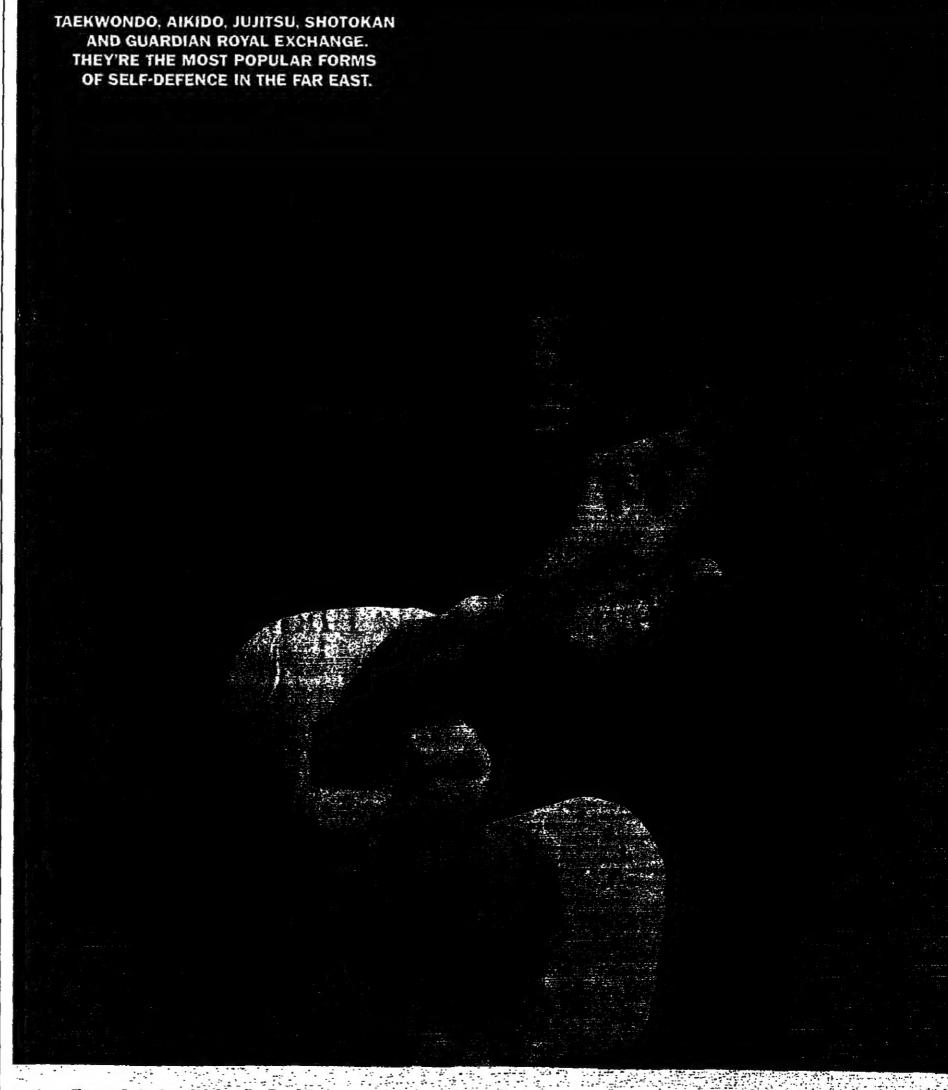
Manufacturers such as BAT and Reynolds had only 7 per cent of the Italian market last year - far less than in neighbouring countries.

Under Italian law. AAMS has exclusive right to manufacture cigarettes in Italy, exercised mainly through pro-duction company ATI, which manufactured 54,000 tonnes of cigarettes last year.

■ Mr Christos Papontsis, the European Union's energy commissioner, is launching an extensive round of consultations of governments, gas suppliers and producers on the best way to liberalise the EU's

eas market. Following the recent ministerial agreement on opening the EU electricity market to cross-border competition, after eight years of talks, the commissioner hopes to take advantage of the political momentum to progress on gas.

Philip Morris results, Page 14



Since as far back as 1835, Guardian Royal Exchange. have been practitioners in the noble art of insurance in the Far East. And today, we provide protection of black beit level proportions in 14 countries in the region, making us more

industry are feeling the benefits of our worldwide experin as well as the numerous life, motor, and house insurance customers. As a multinational company which manager arrers of over £18 billion, we're a force to be reckoned with, even without Karate chops and flying drop kicks. BETTER INSURANCE FOR THE WORLDLY WISE

Sanctions fan flames of Libyan discontent

A football riot takes on a political dimension as an oil-based economy comes under increasing strain

ibyan leader Colonel Muammer Gadaffi in his teric theories on life and governance urges spectators at sports events to "participate". Last week a football crowd in Tripoli took him at his word and left between 20 and 50 people dead.

Security guards opened fire when the crowd chanted anti-Gadaffi slogans (which may have been directed at the colonel's sons attending the match), stormed the field. attacked the referee and spilled on to the streets to stone for-

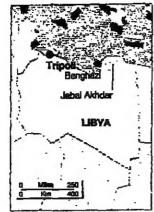
elgners' cars. Political analysts warn against jumping to conclusions about Col Gadaffi's hold on power after a case of football hooliganism took on a political dimension. But the riot points to rising frustration among Libyans as well as to overreaction by security forces.

The discontent is partly the result of a worsening economy, which could soon be exacerbated by new US unilateral sanctions on companies investing in Libya.

Opposition groups outside Libya have largely been ineffective in putting pressure on Col Gadaffi but a younger more vigorous group of Islamists, motivated by ideas of "holy war" against a leader they see as non-Islamic, have recently challenged the regime by causing frequent unrest in the east of the country around the port of Benghazi.

Mr Ashur Shamis, a Londonbased opponent of the Libvan regime who publishes the Ara-

Libva's economic worries feed discontent



that although the Islamist cam-

paign does not pose a threat to the regime, the militants have succeeded in raiding weapons

depots. They are believed to

two of whom have so far declared their existence by

claiming responsibility for attacks. Earlier this month, the Libyan authorities announced

that they would carry out mili-

tary exercises in Jabal Akhdar

(Green Mountain), an eastern

area known to be an Islamist

The militants should have no

shortage of recruits. Libya's nearly 5m population (includ-ing about 1.5m foreign work-

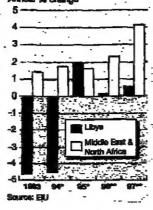
ers) is growing at a rate of 3.6

per cent, according to the World Bank, and half this fast-

growing population is under 15

years of age. UN sanctions banning inter-

ng to different groups, only



military, aviation and some oil

industry equipment were imposed on Libya in 1992 after

Col Gadaffi's refusal to hand

over two suspects wanted in connection with the 1988 bomb-

ing of a US airliner over

The sanctions are a nuisance

to both government and population. They have delayed some

investment in the oil industry

and contributed to a rise in

inflation by increasing the cost

But it is Coi Gadaffi's eco-

nomic policies and the fall in

oil prices that have led to a

deterioration in day-to-day eco-

nomic life. The country still

receives some \$7bn a year in

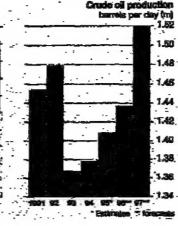
oil revenues, but the funds

have often been used in pres-

tige projects that have created

Col Gadaffi's whimsical

Lockerbie in Scotland.





day, then closes private busi-nesses a year later. Moreover, Libyans' purchasing power has been eroded by a decade-old freeze on public salaries at a time when the parallel exchange rate, quoted for much of what they buy daily, has plummeted.

What happens to the economy and the likely political fallout will depend in part on how international oil groups interpret the latest move by the US to tighten sanctions against

On the surface, US policy towards Libya appears as rigid as that applied to Iran, Washington's arch-enemy in the Middle East. The latest unilateral legislation passed by the US Congress gives President Bill Clinton the same broad menu of options with which to retaliate against foreign com-

panies that invest in new projects. US officials also want to tighten UN sanctions. Closing loopholes in the oil equipme ban and identifying additional Libvan overseas assets which could be frozen are two steps that will be considered in the next sanctions review. In addition Mr Clinton has

told the families of the victims of the Lockerbie disaster that he supports a full off embargo against Libya. But the tough public line is

not always repeated in private diplomatic discussions with US allies. This is especially so with those European countries whose companies are active in the Libyan oil sector, or which rely on oil imports from Libya. The administration was noticeably silent during the recent congressional debate on adding Libya to legislation aimed at Iran. US officials say

Roula Khalaf and Robert Corzine

they fear that the imposition of more unilateral sanctions

could undermine the multilat-

eral regime, which they claim has been "fairly effective" in

persuading Col Gadaffi to

relent on the issue of handing

over the two Lockerbie sus-

pects for trial Officials say the

administration also recognises

that there is no support at the

But international oil compa-

nies operating in Libya have

nonetheless been watching the latest US legislative moves

with intense interest. Few

believe that any new law

would hamper them from developing existing reserves or

UN sanctions have, however, leterred some companies from

The oil and gas sector in Libys is grossly under-in-

vested," says Mr Jerry Kepes, an economist with the Petro-

leum Finance Company in

Washington. He predicts that a sanctions-free Libya could dou-

ble current oil production of

1.4m barrels a day within three

to four years. But current levels of investment are only

likely to keep Libyan output

Western diplomats in Tripoli

say it is premature to predict

any serious upheaval in Libya.

But the country is so depen

dent on oil that tighter US sanctions that cripple future investment will add to the eco-

nomic pressure and heighten

close to its Opec quota.

discoveries

entering Libya.

UN for a full oil embargo.

INTERNATIONAL NEWS DIGEST

Riddle of camp's missing refugees

Some 2,000 Sudanese refugees have disappeared from a camp in northern Uganda after at least 90 were killed by Christian fundamentalist rebels last week. Uganda's defence ministry said yesterday the refugees had either been abducted or had fied in the wake of the attack. The ministry confirmed that the attack on Acholpii camp near the northern district of Kitgum was carried out by the Sudan-based Lord's Resistance Army, a group that wants to rule Uganda in line with the Biblical Ten

Acholpii was home to 16,000 refugees, some of the 210,000 Sudanese refugees in northern Uganda who fled the civil war between southern rebels and Khartoum's Islamic-backed government. The ministry said Kampala had sent in troop reinforcements to deal with the biggest threat posed by the rebels since they began their war in 1987.

Iraq relents on weapons sites

International weapons experts have been able to inspect a number of sites that Iraq deems sensitive, a UN arms official in Baghdad said yesterday. The searches, which were not impeded by Iraq, were the first since Baghdad and the UN Special Commission (UNSCOM) defused a crisis over access

Iraq and UNSCOM reached an agreement on June 22 for unconditional access to sites for UN inspection teams. The accord resolved Iraq's latest row with the UN Security Council over access to four Republican Guard facilities that Baghdad said were vital for its national sovereignty.

The sanctions on Iraq include a ban on oil exports. The removal of oil export curbs, other than limited sales permitted by UN for humanitarian purposes, largely depends on testimony by UNSCOM that all Iraq's chemical and biological weapons and long range ballistic missiles have been

UK calls for action on terrorism

Britain is urging its Group of Seven partners to adopt a legalinstrument laying down that those who abet, sponsor or incite terrorism should not benefit from the 1951 convention which guarantees the rights of refugees, UK officials said yesterday. The UK proposal – which would involve a tougher interpretation of the convention, but not an amendment – was being aired yesterday at a meeting of experts from the G7 in

The proposals have been prompted in part by British embarrassment at the presence in the UK of Mr Mohammed al

Massaari, a Saudi dissident. At the time of the bombing last month of a US Air Force personnel complex in Dhahran, Saudi Arabia, Mr Massaari appeared to sympathise with the bombers' motives while not condoning the attack. Bruce Clark, Diplomatic Curresponden

Two die in Somali faction clash Two people were killed and five wounded yesterday by mortar bombs fired during a clash between rival Somali factions led by Mr Mohamed Farah Aideed and Mr Osman Hassan Ali Atto. Fighting between the two militias has killed 40 and

wounded 65 in the Somali capital since July 9. Somalia has

remained without a government since late dictator Mohamed Siad Barre was ousted from power in 1991.

Mr Aideed and his main rival Mr Ali Mahdi Mohamed,
Atto's ally, both lay claim to the presidency of the country.

Reuter, Mogadishu

Cairo hosts peace talks prior to Netanyahu visit

By Shahira Idries in Cairo

President Hosni Mubarak of Egypt held talks in Cairo yesterday with Mr Abdul-Karim al Kabariti, the Jordanian prime minister, and Mr Farouk el-Shara the Syrian foreign minister, to discuss the Middle East peace process ahead of a visit by Israeli prime minister Mr Benjamin Netanyahu.

Mr el-Shara said he was delivering a message from Syria's President Hafez al-As-

sad to President Mubarak concerning "consultations and coordination between the two countries, and a follow-up of decisions made by the Arab Summit in Cairo." He declined to say whether he would ask President Muberak to pass on the Syrian proposals to Mr Netanyahu, who arrives in Egypt tomorrow.

A number of issues have raised Arab concerns over the future of the Arab-Israeli peace process: the Israeli prime min-

ister's rejection of the land-forpeace formula; negotiations on the future status of the city of Jerusalem; plans for the expension of Jewish settlements in the West Bank; and a refusal by Israel to withdraw from the Golan Heights. The concerns have triggered a flurry of Arab diplomacy in an effort to co-ordinate a common Arab posi-

national travel and the sale of moods are such that he pro-

Mr Yassir Arafat, the Palestinian president, refused to meet Mr Dore Gold, the Israeli prime minister's senior political adviser, following talks with the Egyptian president on

In an effort to persuade Russia, the co-sponsor with the US of the neace process, to take a more active role, Mr Mubarak has sent a letter to President Boris Yeltsin via his envoy Mr Amr Moussa, the Egyptian inister of foreign affairs. Judith Goldenberg, a US Department of Defence official. was stabbed to death in Cairo

entering the Semeramis Intercontinental Hotel in Cairo. Mr Rick Roberts, the press attaché at the US embassy, said there was no indication that Ms Goldenberg had been deliberately targeted. "That was a random act of violence. she was unfortunate...the wrong person at the wrong

Monday night as she was

time," he said. Egyptian police said the culprit was mentally disturbed

psychiatric hospital on June 10. Ms Goldenberg had come to Cairo just four days ago on temporary duty assigni at the US embassy there as a replacement for staff taking summer holidays, Mr Roberts

In October 1993, at the height of violence by Islamic militants seeking to topple the Egyptian regime, a lone gunman killed five people at the same hotel. Police sources again said he was mentally disturbed.

NEWS: WORLD TRADE

E Europe investment grows strongly

Foreign direct investment in eastern Europe continued to grow strongly last year, despite impending elections in several countries and economic uncer-

The latest FDI figures for the region compiled by the United Nations Economic Commission for Europe show that Hungary remains the favourite location for foreign investment, with an FDI stock of nearly \$11.2bn in

However. FDI inflows to Hungary appear to be slowing while those to other countries in the region are increasing rapidly. Overseas investment into the

Czech Republic, the region's second most popular destina-tion for FDL surged 86 per cent last year to total \$5.6bu on January 1 1996. The FDI stock in Russia,

third in the investment league table, climbed by more than 50 per cent to \$5.5bn at the beginning of this year, following a similar increase in 1994. The stock of foreign invest-ment in Ukraine jumped 67 per cent in 1995 to reach \$750m on January 1 this year.

Figures for Kazakhstan. where the FDI stock rose 38 per cent in 1995, show that 45 per cent of total foreign investment of \$2.6bn was in the mining sector, overwhelmingly in oil and gas extraction. Tobacco and metallurgy accounted for 37 per cent and 10 per cent respectively, with mining representing more than 90 per cent of all FDI in Kazakhstan to date.

Nearly 40 per cent of last year's investment went to domestic Kazakh enterprises in deals in which foreign companies were given management

In Croatia, foreign investment has been spread around many small companies. Germany is the biggest investor in the former Yugoslav republic, accounting for a third of the total FDI stock.

East-West Investment News. Subscription orders to UN Publications, CH-1211 Geneva 10. fax 41 22 917 0027. \$80 for four quarterly issues.

Apec pledges to work for freer trade

Asia-Pacific trade ministers yesterday reaffirmed their commitment to further trade liberalisation and to working towards successful World Trade Organisation talks in December despite nagging bilateral trade disputes between members.

"open regionalism in support of the multilateral trading sys-

However, an official from the Philippines, which holds the Apec chair, said further discussion was needed over whether tariff measures proposed in individual action plans should be implemented on a most-favoured-nation basis, applying to all WTO members, or only

sensitive items of unfinished business from the Uruguay Round : financial services, basic telecommunications services and maritime transport. Further negotiations are planned. The US delegation was

pleased with the response to a proposal for an information technology agreement (ITA) leading to zero tariffs on com-

Barshefsky, the US trade repre-sentative. "There is widespread consensus among the members that this is an area that should

Talks on the sensitive issue of semiconductor trade between the US and Japan failed to reach a conclusion and are expected to resume before the July 31 deadline. The US wants a transitional

The closing statement of the two-day Asia Pacific Economic Co-operation forum stressed the group's commitment to significant progress in three on a reciprocal basis with non-members.

On a reciprocal basis with non-members and telecommunications equipment.

The meeting did not make significant progress in three progress," said Ms Charlene share levels achieved under

the 1991 chip agreement which expired at the end of July. The Japanese say US proposals amount to managed trade and are inconsistent with WTO

Both the US and Japanese representatives held separate talks with the Indonesian trade minister over plans for an Indonesian national car. Leading car-producing countries are concerned that Jakarta's preferential tax treatment for the favoured manufacturer

Brazil and Venezuela find togetherness

Long lost neighbours are developing strong links in trade and energy

A s if only recently dis-covering that they are beighbours, Brazil and Venezuela are embarking on a fast-track towards energy and trade integration, leaving behind decades of geographic and political separation.

Though still modest for a combined market of 180m people and gross domestic product of more than \$700bn, trade between the two countries has grown significantly in the past

two years from a total \$763m in

1993 to \$1.3bn in 1996. At centre stage of prospec-tive bilateral trade is energy integration. Last year Venezuela exported 113,000 barrels of crude oil to Brazil, becoming its third largest supplier after Saudi Arabia and Argentina. industrial power. Venezuela is its energy power. It's a natural partnership which must be developed," says Mr Toro Hardy, director of Venezuela's

state oil company PDVSA. Mr Claus Graf, another PDVSA director, said Venezuela planned to supply Brazil with 450,000 barrels of crude a year within a decade.

Several of the dozens of potential trade and energy projects identified during the recent visit of Venezuelan President Rafael Caldera to Brazil are beginning to crystal-

PDVSA and Brazil's state oil company, Petrobras, have agreed on a joint venture to construct a 200,000 b/d oil refinery at an estimated cost of \$1.6bn.\$2bn in northern Brazil. tually beginning from scratch Negotiations are still under is the lack of even basic infra-

way to determine the participa-tion of PDVSA, which, like Petrobras, is said to be hesi-tant to make large, front-load investments with long-term returns thus meaning the rosreturns, thus opening the pos-sibility of third-party investors. "The market is there but it's

a large investment and we're looking at its potential returns and mechanisms of financing," says Mr Ramon Espinasa, chief economist at PDVSA's plan-

According to Mr Graf, the technical studies are ready and details should be agreed by the end of this month or early next. Yet to be decided is whether the crude oil, half of which would probably come from Venezuela's increasingly productive oil fields in the and Monagas, would be shipped to the refinery by water or pipeline.

dvanced talks are also A under way between the two state-owned electricity companies, Electrobras and Edelca, to tap the combined 13.000MW power-generating capacity of the Guri and Macagua hydroelectric plants on Venezuela's Caroni river.

Venezuela's Edelca has proposed a 1,600km transmission line across the border to Boa Vista and Manaus at an estimated cost of \$450m, Brazil's initial energy demand for the region is estimated at 500MW and later at 1000MW. An indication that trade rela-

tions, at least by land, are vir-

structure. Hitherto cut off by the vast Amazon river basin, the two countries are to be connected by a proper paved road only next year, when a 450km stretch between Manaus and the frontier town of Boa Vista will be completed, thus linking by road two of South America's largest rivers, the Amazon and the Orinoco. Construction of the road,

which passes through a native

Indian reservation, is to be

financed by the Andean Devel-

opment Corporation (CAF).

Yet despite rudimentary

transport conditions, Venezue-lan products shipped by land have begun to hit the markets of porth-eastern Brazil. Trucks loaded with petrol, steel products, motor oil and cement embark on the two-day journey from Ciudad Bolivar to Boa Vista and then Manaus.

Kuar V

Brazil's north-eastern export potential lies in the Manaus free-trade zone, which, according to the Brazilian embassy in Caracas, accounts for 90-90 per cent of the country's electron-

ics production and has an annual turnover of \$10bn ing trade and energy links between southern Venezuela and northern Brazil make sense. Brazil's north-eastern states with an estimated 20m people are much closer to trial centres than Brazil's, and transport costs can be reduced

Caracas also has its sights set on business opportunities in the four-nation customs union Mercosur, which groups Argentina, Brazil, Paraguay and Uruguay. President Rafael Caldera said that negotiations allowing Venezuela's entry could conclude before the end of the year.

Other recent moves by Vene-znela indicate the country is moving in to the centre stage of South America's energy integration, as outlined during the Americas Summit in Miami in December 1994.

Given that Venezuela's oil production will grow enormously in coming years, says Mr Espinasa, there is sufficient capacity to develop the Latin American energy markets. Although only 3-4 per cent of

PDVSA's output is currently being marketed in Latin Amer-ica, Mr David Escojido, PDVSA's head of planning, foresees enormous growth potential in the region. "It makes sense to supply those that are close to us and

Raymond Colitt

it's often a better deal for

WORLD TRADE NEWS DIGEST

US loses Nafta tariff dispute

A dispute settlement panel set up under the North American free trade agreement has dismissed a US complaint against import tariffs imposed by Canada to protect dairy, poultry and egg producers. The tariffs, some as high as 351 per cent, were introduced last year in line with Ottawa's commitments under the Uruguay Round of multilateral trade negotiations to replace quotas and other non-tariff barriers.

The tariffis, a linchpin of Canada's farm
"supply-management" system, are due to be reduced by at
least 15 per cent by 2001. However, the US contended the move
violated Nafta, which prohibits new customs duties between
the US, Canada and Mexico. According to a Canadian official,
the five-member panel unanimously rejected the US
arguments in an interim, confidential report.

The decision, which falls under article 20 of Nafta rather than the more commonly used Article 19, cannot be subject to appeal. However, the two governments have been invited to submit comments within the next two weeks for the panel's final report, due in mid-August.

Bernard Simon, Toronto.

EU sets aside WTO complaint

The European Union yesterday decided to drop its request for a World Trade Organisation dispute panel following confirmation that the US had hited punitive tariffs on nearly \$100m of EU food and drink exports.

The tariffs, imposed in 1988 in retaliation for the EU's ban on hormone-treated beef, were scrapped with effect from Monday morning, US officials told a meeting of the WTO's

However, Brussels has not formally withdrawn its complaint and EU officials said yesterday the EU reserved its rights to reconvene the disputes body if necessary. Washington has already secured a WTO panel on the hormone ban which is widely expected to rule in its favour. Frances Williams, Geneta.

Burma opens banking sector

Burma is now accepting proposals for joint ventures in the banking sector, a senior finance official said yesterday. Any of the 42 foreign banks which have a representative office in the country can join with one of the 15 domestic private banks to set up a new financial institution. The official said regulations governing the shareholding structure and scope of activities of these joint-ventures would not be issued, but rather proposals would be considered on case by case.

Two memoranda of understanding, one between Thai Farmers Bank and Asia Wealth Bank and another between Siam City Bank and Myanmar Citizen Bank, have already been signed but authorities have not received their proposals

The official added that a new securities law, which would help the implementation of an over-the-counter stock market, was being submitted to the Attorney General's office today for

■ BICC, the UK-based cables and construction group, is to invest around \$15m in a fibre optic cable plant to be established in Subic Bay Freeport in the Philippines. Mr Timothy Kaye, BiCC planning director, has signed a contract with the Subic Bay Metropolitan Authority for the lease of a 1.1 hectare site. He said the factory would produce high technology cables for connecting and transferring data between computers. BICC's objective is to expand its cables business in the Asia Pacific region to sales of more than \$760m by 2000. In 1990, sales in the region amounted to \$122.5m and

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Budget deficit

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Sing refugee deficit forecast drops

The Clinton administration forecast yesterday that the federal budget deficit in the current fiscal year, ending in September, will drop to \$116.8hn, \$29bn less than its previous estimate in March and nearly \$50bn under the \$164bn shortfall of last year.

The release of the mid-year economic review came from the White House just hours after government statistics had continued to show steady growth in manufacturing output allied to minimal inflationary pressures.

Industrial production rose solidly for the third consecutive month in June, by 0.5 per cent, the same as in May and only slightly below the 0,7 per cent advance of April.

Meanwhile overall consumer prices in June went up by 0.1 per cent, in spite of the largest jump in food prices in three years. Declines in the cost of energy proved a countervailing

The revised deficit projections and the positive eco-nomic statistics come at a moment of extreme stock market nervousness, a potential source of concern for President Bill Clinton's re-election pros-pects. The administration was, therefore, keen to make much of yesterday's figures. They were published just 48

hours before Mr Alan Greenspan, chairman of the Federal Reserve board, gives his half-yearly economic testimony to. Congress. Market analysts expect him to hint at higher interest rates later in the year. Ms Laura Tyson, head of the

president's national economic council, said "markets do goup and markets do go down. The point of today's briefing is we have good news about the economy," she said.

Mr Leon Panetta, the White House chief of staff, described the lower deficit projections as "a victory not only for the president but for the American fourth successive annual drop in the deficit was an achieve-ment unmatched since the

Yesterday's estimates see a small increase in the deficit. — to about \$125bm — in the 1996-97 fiscal year, but steady declines thereafter to a projected small surplus in 2001.

They also project real economic growth from the fourth quarter of last year to the same period this year at 26 per cent, up from 22 per cent in the March projections. Consumer prices rises are forecast at 3.2 per cent this year, up a little from the 3.1 per cent estimate

Cuban compromise postpones wave of lawsuits

It was a decision which on the one hand would have alienated US allies around the world or on the other had found a solution that would have alienated US allies. have provided valuable ammunition for President Bill Clinton's political opponents in November's presiden-tial election. In the end, he resolved his dilemma over a hotly-debated anti-Cuba law yesterday with a piece

of presidential fudge. The Helms-Burton Act, named after its Republican congressional sponsors, was signed hurriedly by the president after the shooting down of two US light aircraft by Cuben MiGs in February.
The act, which allowed lawsuits

against foreigners dealing in assets confiscated in Cuba since 1959, brought threats of retaliation from US trading partners, whose compa-nies could have faced costly actions in US courts.

Yesterday's decision had Washing-ton lawyers and diplomats desper-

allay a damaging dispute with US trading partners but soften the attacks from opponents claiming presidential weakness in confronting the Cuban leader, Fidel Castro.

It means the act's most controversial section - Title III - will go into effect on August 1. Foreigners who continue to "traffick" in confiscated assets three months after this date will be deemed to be causing damage to US nationals who owned or benefited from the properties before confiscation.

However, the decision means the

right to sue does not come into effect as expected on November 1, but is suspended until February 1, when it may be waived again for further six month periods. Lewyers warn this compromise, which appears to estab-lish damage but denies the right to

sue to correct it, could leave the administration open to many messy legal challenges.

Before Mr Clinton signed the bill into law in March, the White House insisted on retaining authority to delay or suspend implementation of Title III for six month periods if "necessary to the national interests of the US and will expedite a transition to democracy in Cuba". Threats of retaliation from abroad

gave Mr Clinton a strong case in exercising his waiver rights on grounds of national interest. Presumably to strengthen the argument that the decision will hasten democracy in Coba, the administration also said yesterday it would use the six months to negotiate a tougher stance towards Cuba from US allies. Other governments will not be pleased at this, but their dominant response is more likely to be one of

- some estimates suggest up to 400,000 could be generated if the right to sue became effective - has been allayed at least for now.

Whether the decision will be enough to defuse Cuba as an election issue is another matter. Mr Clinton's decision to sign the bill in the first place boosted his stock among Cuban-Americans in their

biggest concentrations, in Florida and New Jersey. Both are important electoral states in the presidential race. Mr Clinton currently bolds a 20-point lead in New Jersey but Florida is a mustwin state for Mr Bob Dole, the presumed Republican nominee Recent close to each other and the competition for the Cuban vote in the state is intense, as witnessed by Mr Dole's condemnation of the president's

the European Union, US business organisations had reacted with alarm, urging the president to sus-pend Title III for six months. Mr Todd Malan of the Organisation for International Investment yesterday praised Mr Clinton for confronting "a tough political climate" but demonstrating that "he really understands the economic consequences and what a disaster full implementa-

tion of this law would have meant".

Congressional pressure to proceed with Title III has equally fervent. Mr Dole yesterday blamed Mr Clinton for "continued indecision until the last possible moment" because he is "rudderless when it comes to standing up for American principles". To pacify the Cuban-American lobby, the State Department has made a show of implementing another provision of the act which bars executives of "trafficking" coming the US. Three companies were initially warned of action: Sherritt International, a Canadian mining company: Grupos Domos, a Mexican telephone company; and Stet, the Italian telecommunications monop

If the president does allow suits to go forth - and once the election is out of the way and assuming he is re-elected it is not likely - then about 700-800 US citizens and companies whose Cuban holdings were confiscated could file suits. After August 1, 1998, an estimated 430,000 naturalised US citizens of Cuban origin and their families could file suits. Total claims could exceed \$100bn according to Mr Sherman Katz, a Washington lawyer.

> Nancy Dunne and Stephen Fidler

Dole picks moderate for keynote speech | Hard times for

By Jurek Martin in Washington

Mr Bob Dole, battered yesterday with more had poll-ing news, has taken the gandble of further alienating his rightwing by picking an abortion rights congresswoman to deliver the keynote address at next month's Republican party convention.

The presumed Republican nominee also confirmed that Governor Tom Ridge of Permsylvania, also pro-choice, has been interviewed by campaign sides as a possible vice presidential running mate. His name had not previously surfaced in speculation about Mr Dole's short list.

Mr Dole's moves, revealed in a Monday night TV interview, are further evidence of his growing concern that he needs to broaden his appeal in order to Izunch an effective chal-lenge against President Bill Clinton's re-election. Yesterday, the New York

Times/CBS poll reinforced the evidence of an MSNBC survey out on Monday. It had Mr Clinton's lead back up to 20 points (54-34 per cent) and also found Mr Dole hurt worse than the president by Mr Ross Perot's entry into the race. A threeway race gave Mr Climton 49 per cent, Mr Dole 27 per cent and the 1992 independent candidate 16 per cent.



Bob Dole facing his TV host before being interviewed on the Larry King Show on Monday night. With him are his wife, Elizabeth, (right) and the show's floor manager.

Both polls found 70 per cent of those surveyed now believ-ing regardless of their political preferences, that Mr Dole would lose in November. They suggest that the presidential candidate could drag down the Republican party's congressional chances to the point that control of the House and Senate might be lost.

Mr Dole is also experiencing a terrible press at present media. The Washington Post

yesterday quoted extracts from recent opinions by conservative commentators, ranging from "can you think of a worse presidential campaign?" (Mr George Will) to "he doesn't have a clue" (Mr Charles

Even the choice of Congresswoman Susan Molinari from Staten Island, New York, to deliver the convention keynote address was announced almost casually. It certainly came as a

nari herself, who was beeped at a restaurant by a friend

Married to Mr Bill Paxton, another Republican congressman from New York, she is one of the very few moderates on the House Republican leadership team under Mr Newt Gingrich, the Speaker. Middle-of-the-road Republicans have been recovering their voice and Ms Molinari, always outspoken on abortion rights, has been a clear leader in

demanding the party become more inclusive in its appeal. But Mr Dole's nod in her direction, together with Governor Ridge's appearance on the vice presidential short list, is certain to annoy religious and cultural conservatives. Over the weekend, Mr Pat Buchanan, who will have delegates won during the primaries at the convention, broke a period of unaccustomed silence by

warning he would not be mute

Brazil's smokers

in São Paulo

Brazil's 30m smokers have a new burden on their consciences. From yesterday, anyone who smokes in an enclosed place is not only endangering their own health and that of those around them; they are also breaking the law.

Fortunately for the smoker, nobody is likely to do anything about it. But the move, which adds to existing restrictions, could pave the way for one of the world's most rigorous anti-

smoking regimes.

A law approved by congress last month and sanctioned by President Fernando Henrique Cardoso on Monday bans smoking "in any enclosed place, public or private, except in areas designated specifically to that end and duly isolated and ventilated". However, it does not set any penalties. Until these are introduced, probably by state or municipal laws, smokers are unlikely to suffer any new legal conse-

quences of their habit. This is a big step forward," said Congressman Elias Murad, who drafted the law. "We already had some restrictions, but this law leaves no

doubt that smoking in any col-

workplace, is prohibited."

Public or private sector companies which let their employ ees smoke must provide smok

ing rooms. However, the law could be interpreted more strictly in the courts. "The law is drastic in that it covers all areas where people meet outside the home, said Mr Celso Bastos, a São Paulo lawyer. "And it is quite clear that smoking areas have to be for smoking only. That means no smoking in bars or

São Paulo has taken a lead in anti-smoking laws, banning smoking in supermarkets. churches and other public places. A ban in the city's bars and restaurants was overturned by a state court in April but is due for review.

and radio tobacco advertising between 6am and 9pm. Advertisements must carry a health warning - many already do under an industry agreement and may not associate smoking with youth, sexual attractive ness or "Olympic" sports (motor racing, for example, is unaffected). In this area, the law does set deterrents: advertisers face penalties ranging from fines to seizure of goods.

US death sentences 'racist'

Commission of Jurists said yes-terday death sentences in the US were arbitrary and weighted against blacks. Reuter reports from Geneva.

In a report by four judges and lawyers who visited several US states earlier this year, the ICJ said obligations taken national human rights and anti-discrimination accords were largely unfulfilled.

The respected International tion of death sentences in the for the death penalty is in Commission of Jurists said yes—US was "arbitrary, and racially "accordance with accepted discriminatory, and prospects of a fair hearing for capital offenders cannot ... be

> The commission said the report "provides a disturbing account of the difficulties involved - even for a country which is regarded by many as the world's leading democracy and protector of basic individual rights and freedoms - in ensuring the implementation

- jurists from India, Sweden, Nigeria and Australia - said 40 per cent of the people executed in the US between 1973 and 1995 were black.

Overall, the report said, 44 per cent of the US prison population was also black, although Americans of African origin accounted for only 6 per cent of the total population.

Dominican Republic braces for - a political break with the past

more to do with the limits of his own power than anything

In six weeks he succeeds Mr Joaquin Balaguer who is retiring after dominating the country's politics for three decades. The ultra-conservative Mr Balaguer, aged 89, has run the presidency much as did his mentor, General Rafael Trujillo, a dictator who also ruled for 30 years. But Mr Fernández, aged 42, will not be able to rule by fiat as they did. His stated intention to "modernise" the country's highly politicised and frequently corrupt institutions will have to be tempered by the continued force Mr Balaguer is likely to be in this Caribbean state of 7.5m people.

The manner in which the outgoing president engineered Mr Fernández's victory is instructive. After the first round of voting in May, Mr José Francisco Peña Gómez of the Revolutionary party, having won more votes than Mr Fernandez, looked set to be Mr Balaguer's likely successor. The candidate of Mr Balaguer's Reformist party, who was not favoured by the president, came third. The president threw the Reformist votes behind Mr Fernández, amid claims by aides to Mr Peña Gómez, who is black, that the

move was openly racial. Mr Fernández is his "own man" say the president-elect's aides, and has made no concessions to Mr Balaguer in return for his support. Yet senior functionaries of Mr Fernandez's centrist Liberation

T Leonel Fernandez, president-elect of the Dominican Republic, has promised a break with the past - but it may be one that is more to do with the limits of mind, writes Canute James



Balaguer, engineered victory

party admit "likely difficulties" for the new administration in implementing the policies which Mr Fernández has promised will constitute the break with the past.

The Liberation party has a minority presence in the legislature, and will have to depend on the Reformist law makers who are expected to continue obeying the instructions of Mr Balaguer. The success of Mr Fernández's "modernisation" of the country will be determined by these legislators who have been slow and often clearly reluctant (because Mr Balaguer was) to implement many of the economic reforms to which the administration was publicly committed. The first test of Mr Pern-

ander's ability to overcome the legislative, hurdle will be the treatment of a law which has

been before Congress for the past two years under which the debt-ridden state-owned power company will be broken up and privatised. Meanwhile prolonged and frequent power cuts have hobbled business and industry, deterred inves-tors and affected schools and hospitals. The reluctance to pass the legislation is based on concern that the "national patrimony" should be protected. Moves to clean up the equally inefficient state-owned sugar company will raise similar concerns.

Mr Antonio Espin, a former president of the Association of Industries, said this had been a lost year for the Dominican economy. While Mr Fern-andez's administration takes office "the legislators will not do anything, and the economic and productive sectors will be set back. We hope that by 1997 somebody will responsibly make the decisions that the

country needs."

Mr Fernandez will have to steady an economy which has been expanding in recent years, but which has sputtered this year, mainly because of political uncertainty. The econing, agriculture and light manufacturing, expanded by 4.8 per cent last year, faster than the pravious year, according to the by his lieutenants who central bank income from ing up to replace him.

responsible for covering a mer-chandise deficit of \$25n. Relative stability of the peso helped to keep inflation last year to 9.2 per cent, against 14.3 per

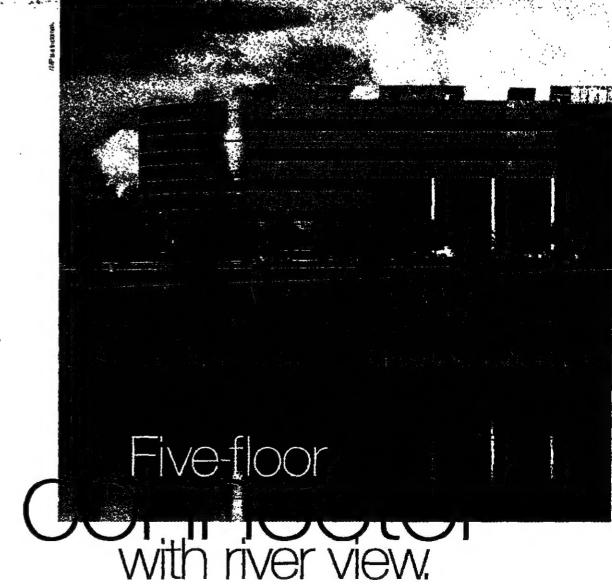
Meanwhile, the new president will be under pressure to complete a part of his predecessor's legacy - hundreds of kilo-metres of unfinished highways and bridges, and four hospitals in one city block, all at a cost to a budget which is already

Mr Fernández will be pressed also to indicate that he repre-sents change by taking his zeal for "modernising" the country to institutions such as the judiciary and the security forces, which have been much influ-enced by Mr Balaguer's highly personalised and often direct

Mr Fernandez has been promised a three-month politi-cal honeymoon by Mr Pelia Gómez, after which the Revolutionary party will look criti-cally at the new administra-

But Mr Peña Gómez's political future is uncertain. Foreign observers and local parties agreed that Mr Pena Gómez would have been the president in 1994 had not an election tainted by corruption given Mr Balaguer victory by less than 1 per cent of the vote. The criticism led to reforms which forced Mr Balaguer's retirement and the reduction of his term by a half.

Having lost to Mr Fernández, Mr Peña Gómez appears uncertain whether to keep his promise to leave representative politics. The decision may be made



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Budget warning for Australia

Plans by Australia's coalition government to slash Asson (£4.1bn) from federal spending over the next two financial years might not be sufficient to achieve a balanced budget, Mr Peter Costello, federal treasurer, warned yesterday. This pushes the date for a balanced budget to 1998/9, a year later than the treasurer was predicting immediately after the March 2 election which swept the Liberal-National coalition into

But Mr Costello still appeared to rule out any rethink of the government's campaign pledge not to raise taxes, or introduce new levies. The treasurer's comments came as official figures showed Australia ran up a A\$10.3bn "underlying" federal budget deficit during the 1995/6 fiscal year, which ended on June 30 - A\$1.3bn more than previous Treasury forecasts. The deficit equals 2.1 per cent of GDP. The "headline" deficit, which allows for asset sale proceeds, stood at A\$5bn, again the A\$280m predicted in March.

Beijing threat over Dalai Lama

This week's visit by the Dalai Lama to the UK would have "adverse effects" on bilateral relations, China has warned. The Tibet group of the UK parliament, which had invited him, was supporting and abetting his efforts to split Tibet from China, Mr Cui Tiankai, foreign ministry spokesman, said. But Beijing's response was moderate compared with its protest after the Tibetan leader's recent visit to Germany and the accompanying resolution of support from the German parliament. This time, China's irritation is not expected to

The Dalai Lama is today due to meet Mr Malcolm Rifkind, foreign secretary, though the foreign office described his visit as private. The UK has long said Tibet should have more autonomy, though it does not support moves for its independence. The Dalai Lama yesterday repeated he was not seeking full independence and offered to negotiate with China without preconditions.

Peter Montagnon, London

Deng's health good, says China

China yesterday tried to end rumours that its ageing patriarch Deng Xiaoping was near death. A foreign ministry official said Mr Deng was in good health; it was hoped the rumours would not be allowed to disrupt his "peaceful life after retirement". Mr Deng, 92 in August, has not been seen in public since 1994. His health and whereabouts have been the subject of intense speculation, especially in the Hong Kong and Taiwanese media. Some reports claim he is in intensive care and hardly conscious; others say he is in southern China, ready to go to Hong Kong for the handover in 1997. Sophie Roell, Beijing Hong Kong for the handover in 1997.

New Hong Kong trade chief

Mrs Regina lp, Hong Kong's director general of trade and industry, will take over as director of immigration following the surprise resignation of Mr Laurence Leung earlier this month, the Hong Kong government announced yesterday.

Mr Leung's departure from one of the most sensitive government posts ahead of Hong Kong's return to Chinese sovereignty next year has prompted controversy and fuelled concerns about stability in the civil service.

The government has refused to say why the usual one-year notice was waived and why Mr Leung was allowed to retire early. Mr Francis Ho, deputy secretary for trade and industry,

Businessmen expressed regret at her departure, citing her defence of commercial interests.

John Ridding, Hong Kong

Four die after 4,000 Japanese children struck by bacterium first traced to eel sushi

Tokyo unit to tackle food poison deaths

By William Dawlons in Tokyo

The Japanese government yesterday set up a crisis unit to curb the worst outbreak of food poisoning in the country's history, after four people died and more than 4,000 children were made ill.

A panel of senior officials of the health and education ministries was convened by Mr Ryutaro Hashimoto. the prime minister, in the face of mysterious outbreak in schools in five prefectures across Japan.

The mass poisoning has joited the nation's faith in its own hygiene, an form of a bug that lives naturally in

purity, and has been at the centre of national concern for several days.

Producers of household sterilising products yesterday reported panic buying, as consumers all over the country sought to cleanse their homes and protect themselves against infection. Procter & Gamble Far East said sales of liquid soep had risen by 30 per cent and some stores had run out of stock. Kao, the Japanese home products group, reported a 50 per cent rise in bleach sales.

The illness is caused by a bacterium known as E coli 0157, a poisonous

element of the Japanese respect for human intestines. It adds a sombre and office workers everywhere. dimension to a former trade minister's contention that Japanese innards have unique qualities.

The outbreak began in schools in Okayama, southern Japan, in May and took hold early this month in Sakai, a middle-sized town in the Osaka area, where 1,300 cases have emerged. The outbreak accelerated in recent days with the onset of a heat

Health officials have traced the first cases to eel sushi - a pop-ular summer dish of raw uncooked eel - in the boxed lunches which are the staple fare for schoolchildren

The bug is found in undercooked meat, poultry, dairy products and water. Symptoms include severe stomach pain, diarrhoea, bleeding and kidney damage. So far, 207 children have been confined to hospital and around 90 schools - attended by

Health ministry officials were yesterday checking sanitary procedures at suppliers of raw materials for the lunches to the schools concerned. In most cases, schools make up lunches from food supplied by wholesalers. The ministry

50,000 students - closed for

is also preparing tougher sanitary measures in an attempt to curb the outbreak. "We have to keep vigitant." said Mr Mikio Okuda, education minister, who has called for tougherschool food inspection rules. The bacterium was first detected in

Japan six years ago, when two from contaminated well water. Over 1,800 cases were recorded until this latest outbreak, confined to small areas, rather than emerging throughout Japan. It was first detected in the US in 1982, when hundreds were made ill by tainted

Seoul to raise \$25bn for transport hub

The South Korean government yesterday approved financing plans for the construction of five massive infrastructure projects costing \$25bn (£16bn) by 2001.

The projects, aimed at transforming South Korea into a transport hub for north-east Asia, include what would become the country's biggest international airport, a high-speed rail system, and three container ports.
"The five projects will be

given top priority in financial and administrative considerations," said Mr Lee Heonsook, assistant minister for transport policy.

The central government will provide \$10bn raised from privatising the state tobacco and telecom companies and collecting a transport surtax. Another \$11.5bn will be financed by public corporations in charge of the projects through over-seas borrowing. Private contractors are expected to provide \$3.5bn. Construction nies have been reluctant to participate because of unfavourable returns on investments but the government said for participating companies. Contractors will be allowed greater access to cheap foreign

loans, which are usually restricted by the government. They will also enjoy tax breaks on infrastructure investments. The infrastructure projects are meant to ease the country's

overburdened transport sys-tem, which is being blamed for a sharp rise in production and distribution costs. Current logistical costs are estimated at \$51.5bn, or 16 per cent of gross domestic product

The biggest project involves construction of an international airport, which is scheduled to be opened in 2000, on reclaimed land off Inchon.

A high-speed rail system to link Seoul with the south-east port city of Pusan is expected to be completed by 2002.

The biggest harbour project will be on Kadok island off Pusan, consisting of a con-tainer terminal with 24 berths by 2011. The terminal will be the world's third largest after Hong Kong and Singapore. Two other container terminals will be built at Kwangyang on the south-west coast and Asan on the west coast.

Vietnamese debt tarnishes decades of comradely ties

The stalemate over repayment of roubles to Moscow is likely to dominate relations with Hanoi for years. Jeremy Grant reports

Technocentre, a vast Soviet-built compound in a dusty suburb of Hanoi. The place is deserted, but for a Russian couple playing termis and a few Volga saloons in the car

in the heyday of Communist ties between Moscow and Hanoi, the complex was planned as a showcase vehicle repair base designed to house about 300 Soviet "experts".

But the Soviet Union disinte grated before they arrived to take up their posts. Five years later, the two governments still cannot agree on what should become of its 80 apartment blocks, garages and unused

Meanwhile, the Russians earn extra cash by renting some of the flats to South Kor-

Decades of comradely ties may have left their mark on Vietnam architecturally as well as linguistically - thousands of Vietnamese speak Russian - but they have done little to help the two countries forge a new partnership based purely on business. Nor have they provided a way out of the ae that divides them most -

Russian businessmen and diplomats often complain pri-vately that doing business with Vietnam was always tough.

Strategically, Vietnam is no longer important to Moscow as a socialist outpost in southeast Asia. For its part, Hanoi is more interested in fostering ties with richer partners such as the US, the European Union and the Association of South East Asian Nations (Asean), which it joined last year. "Nowadays we can't regard

Vietnam as a strategic partner for the Russian Federation. The relationship has changed from fraternal to ... friendly," Mr Rachit Khamidulin, Moscow's envoy to Vietnam since 1990, observes drily. Yet the Soviet legacy is very

much in evidence. A statue of Lenin still stands in a park opposite Hanoi's military museum. A few streets away,



Soviet legacy: Children play on Hanoi's Lenin statue. See Many

nmer and sickle insignia. Vietnam's largest power sta-tion, the Hoa Binh ("Peace") country's electricity. Of the roughly 8,000 Soviet citizens stationed in Vietnam before 1991, about 2,400 remain, most employed at the a Russo-Vietnamese oil exploration joint

venture which produces most

of Vietnam's crude oil. At Cam Ranh Bay, a large naval facility on the southern Vietnamese coast that once gave the Soviet fleet strategic access to the South China Sea. the Russians still maintain a few hundred personnel.

Much of the debt that divides them is tied up with some of the showcase projects that Moscow so enthusiastically supported in the past. Vietnam has cut separate

debt deals with most of the former Soviet republics, leaving about Rhs10.5hn owed to just 21.32m at the present exchange rate. The problem is that neither side can agree on exchange rate, needed before a

The Russians say one dollar is worth 0.73 roubles, a bench-mark used by the former Soviet central bank. This puts the total owed at about \$17bn, dwarfing Vietnam's commercial - or London Club - debt of

Russian negotiators have tried to bolster their case by referring to a somewhat arcane gold marker used in Soviet credit documents, valuing one rouble at 0.98 grammes of pure

However Vietnam has a radically different approach. It has not yet come out with a rate but refers instead to debt agreements signed last year with Hungary and Germany as

Rhs6 to the dollar respectively. which the Vietnamese say point the Russian debt at about

PSBR

growth at

odds with

forecast

Every three months or so. delegations of specialists from Moscow arrive for talks in

But there is still stalemate despite an offer made in Jannary by Moscow to write of about half the debt on condition that Hanoi agree to its exchange rate terms, A latest round of talks set for April was cancelled by the Vietnamese

without explanation.

The Vietnamese offer has no scientific base. I understand that this problem is rather difficult and it will not be decided soon, but we are ready to talk and compromise," save Mr Khamidulin

The World Bank and International Monetary Fund are increasingly anxious to see the matter settled soon, but anslysts say the gulf will take years to close:

"It will continue to cloud the country's credit profile," said Hong Kong-based Peregrine Brokerage in a recent report. The debt problem is likely to dominate bilateral relations in the next few years, but arms. sales will also play a significant role, at least between the two countries' defence minis-

Diplomats say this is one. unaffected by domestic politi-cal change in Moscow.

Military ties seem as warm as they have been for much of . the last 20 years, during which.

Moscow supplied the Vietnamese army with most of its hard-

Indeed, this warmth occasionally spills over into other areas. Some state-run newspa-pers in Vietnam followed the electoral fortunes of Mr. Gennady Zyuganov, the Communist candidate in the Russian presidential election, with considerable zeal. One even referred to him as "Comrade". Meanwhile, someone at the Russian embassy in Hanoi has forgotten to reprogramme the fax machine to take account of ...

changed times. The imprint at tourists shop for cheap Rusprecedents. The rates agreed in those deals were Rbs5.5 and the top of all its faxes still sian watches bearing the Moscow, which amounts to Conflicting interests sharpen in Philippines Moslem zone

By Edward Luce in Manila

intensified yesterday as government ministers threatened to sack local

officials for flying the national

Opposition from Christian

local government officials, who this week stepped up campaigning against the deal agreed last month between the Moslem community and the

Philippine government, has

however been countered by

strong support from private-sector groups with

Covering most of Mindanao,

the country's second largest island, and the islands of Palawan, Sulu and Basilan, it

contains roughly 50 per cent of

the Philippines' rich gold and

copper reserves and a large

portion of the country's

Encompassing 14 provinces and nine cities, the zone covers

about 25 per cent of national

territory with a population of

8m, about half of whom are

Under the deal, Mr Nur Misuari, head of the Moslem

More National Liberation

Front, which has been lighting

government forces since 1972.

growing agribusiness sector.

investments in autonomous region.

flag at half-mast.

Number One Political opposition to a Muslem autonomous zone in the southern Philippines

Caixa Geral de Depósitos, S.A., established in 1876, is Portugal's largest bank. As an universal bank, CGD operates an extensive 500 branch network offering a wide range of financial services in the domestic and international markets. CGD leads Portugal's most important financial group with major subsidiaries in commercial banking, insurance, leasing, factoring, fund management, real estate

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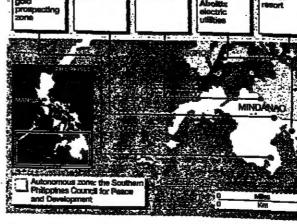
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autonomous council for three years, after which a plebiscite would be held to determine which provinces would be included in a permanent autonomous structure.

We welcome any moves towards peace and stability in Mindanao," said Mr Juan Bernard, vice-president of Aboitiz Equity Ventures, which distributes electricity in Mindanao.

"Electricity sales are growing by over 10 per cant a year in Mindanao, so anything that will strengthen stability will give a boost to what is a

potentially fast growing part of the country." Other investors, including Del Monte, the fruit company, and Ekran Berhad, the Malaysian group building a lukury resort in Mindanao, are reported to have welcomed moves to settle the long-standing conflict that has claimed an estimated 50,000 lives since 1972.

As the Philippine portion of the East Asian Growth Area (Eaga), a free-trade "growth triangle" which also includes parts of Malaysia, Indonesia and Brunei, Mindanao is considered the Philippines'

country's Moslem neighbours. The move towards a negotiated autonomous zone will be a big plus point for Baga," said Mr Ernesto Pernia. an economist at the Asian Development Bank in Manila.

"Mindanao is potentially a big investment destination so private investors will strongly support moves towards a final settlement of the conflict. Government economists say

Mindanao has attracted \$15m. (2666m) in pledged and actual investments since peace talks started in the early 1990s. Companies such as Petronas,

the Malaysian state oil: company, which is surveying for oil on the southern island, and Western Mining Corporation, the Australian resources group prospecting for gold, are expected to step up investments once the deal

Achieving the deal has been a long-standing priority of the administration of President Fidel Ramos Mr Ramos has said he will take a strong stand against extremist Christian opponents of the autonomous

In a twist considered unimaginable 12 months ago, Mr Misuari will campaign under the banner of the raling Lakas party in the autonomous elections to be held in

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معامن اللمل

New research may prolong beef ban wive covered up the risks of government efforts to find general cold storage

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New scientific evidence could delay the lifting of the ban on exports of gelatine and tallow derived from UK beef, the European Commission warned

Although agreement on lift-ing the ban was reached last month, it remains in place because the conditions attached including stringent processing standards designed to desiroy bovine spongiform encephalopathy or mad cow disease – have not been met.

PSBR

growth at

odds with

forecast

By Robert Chote and Gillian Yett

But analysis of research into the safety of gelatine manufacturing has suggested that even those conditions may not be

strict enough.
The commission's BSE subgroup has already expressed concern about the findings, which will be discussed further by the commission's scientific veterinary committee within

the next few days.
If these and European Union states' specialists in the standing veterinary committee agree that standards need to be tightened, officials warned that last dent of the European Commismonth's decision to lift the gel-atine ban could be revoked.

pending agreement on new conditions. Although that would not delay the process of lifting other elements of the worldwide ban on exports of UK beef and beef products, it would be a political setback for

the UK government.

The immediate impact on the gelatine industry may, however, be limited. Gelatine makers are still some way from meeting other conditions for lifting the ban, and have switched to using non-UK beef. Mr Jacques Santer, the presision, yesterday rejected charges that the Brussels exec-

BSE through disinformation. He told MEPs in Strasbourg that an internal memo, warning that some people in the commission and member states were trying to suppress the first cases of BSE, was a spoof. Mr Santer was reacting to a letter from Mr Klaus Haensch, the president of the European parliament, which called for a response to reports that the

ing to humans. A glut of frozen peas and ice cream is hampering UK

commission and EU veterinary

commercial cold storage for the carcasses of thousands of cattle being slaughtered under its beef-cull scheme. The wet summer has depressed demand for ice cream and manufacturers have about 10,000 tonnes more in cold storage than at this time last year. A 20 per cent increase in the pea har-vest has also increased pressure on cold storage space. Owners of cold stores say

experts were aware as early as that at least 90 per cent of capacity is in use and are warning that space available for beef could run out within

1990 of the risk of BSE spread-

Philanthropist gives university £20m to found a business school

Saudi launches Oxford college

Xford University was given £20m (\$31.20m) yesterday by a promi-nent Middle Rastern businessman to establish a business school - its largest personal donation for 60 years.

At home in his opulent Mr Eddie George, the governor of the Bank of England - the Eaton Square residence, Mr Wafic Said was almost defen-UK's central bank - yesterday confessed himself "uncomfortsive about his generosity to Oxford. "It is always assumed able" about the state of the that an Arab with money must government's finances, as offi-cial figures showed that core be bad," he began, before stressing his "huge admira-tion" for Britain, "a country which historically has propublic sector borrowing has been outstripping last year's duced so many entrepreneurs and can do so again with the right leadership. The governor also warned

races 30 horses, leads a peripa-

tetic international life, and is.

resident in Monaco for tax

purposes.
"I asked myself, what was it

more important to have - a

another painting on the wall?"

By John Murray Brown in Belfast

The British and Irish governments

yesterday moved to patch up their dif-

ferences as Sir Patrick Mayhew, the

Northern Ireland secretary, met Mr

Dick Spring, the Irish foreign minister,

for the first time since last week's riots.

The half-hour discussion in the mar-

gins of the multi-party talks at Stor-

mont, was the first attempt to move the

peace process forward after last week's

and John Kampiner in London

the Treasury select committee that the 4.25 per cent growth in He sees his bequest to found a new Oxford business school consumer spending forecast by the Treasury for next year as an "important contribu-tion" to that goal. "Oxford has a very special cachet as a cen-tre for the elite. If it is ambicould not be sustained for long without threatening the government's inflation target. "At some point it would tions about business studies, it will become a world class

mean that monetary policy would need to be tightened," he told MPs. He added that the The Syrian-born businessman is a friend of members of Bank thought inflation would be "somewhat higher" beyond the Saudi royal family and the end of 1997 than the Treamade his fortune there in the sury's summer economic foreoil boom. He now has Saudi nationality - and exhibits all the hallmarks of the grand cast implied last week. The governor's stance implies that he and Mr Kenphilanthropist. He collects art,

neth Clarke, the chancellor, might disagree again when they discuss interest rates in two weeks. Economists believe Mr Clarke may push for another cut, which the gover-

row £3.60m (\$5.61bm) last month to cover the shortfall between its spending and tax revenue. according to the Office for National Statistics. This was slightly up on the same month a year ago and higher than City economists had predicted. Excluding privatisation proceeds, the public sector borrowing requirement has totalled £12bn in the first three

.... The government had to bor-

months of the financial year, up from £11.3bn in the equivalent period of 1995-96. This means that Mr Clarke is not yet on course to hit his target for government borrowing for this financial year.

which he raised by £4.5bm only last week to £26.9bn. Last year the PSBR totalled £32.2bn. Ms Angela Knight, the economic secretary to the Treasury, yesterday insisted that the government was still on target to meet its borrowing

forecast. But many economists are not convinced. Mr Geoffrey Dicks, UK economist at NatWest markets said June's PSBR figures were very disappointing. "The chancel-lor's assertion that the PSBR is

unambiguously coming down looks highly questionable on these figures," he added. But some economists argued that the figures were distorted

by unusual factors and could improve later this year. Mr David Walton of Goldman Sachs said there were "mitigating circumstances" suggesting that the PSBR was not quite as

bad as it seemed. In particular, the Treasury pointed out that government spending had been boosted last month by unusually large interest payments on government debt. VAT revenues had also proved difficult to forecast because large companies were now concentrating their payments around June.



Buying power. Wafic Said chose to have a business school rather than another painting on the wall

from Oxford and he has already made sizeable dona-tions to university appeals. Yesterday's bequest has been four years in the making. When the idea was first mooted by Sir Richard Southwood, then vice-chancellor, Mr Said was interested "but only if I could see that Oxford was deadly serious about MBA probusiness school at the heart of

the city and university".

The university's initial idea he asked "I have had a lot of success in my life, and I was determined to make a signifihad been for an endowment to cant contribution to this counexpand Templeton College, its try, where my wife was born existing management studies centre on the city's outskirts. A former Cambridge student himself, he missed the chance "I was surrious the new school should be central and delinked from Templeton," said of establishing a business Mr Said. It is a goal he has school there. "Paul Judge best me to it," he admitted with a tentatively achieved. His ambismile, referring to the fellow tions design for a complex on a city sports ground for 150 multi-millionaira who five years ago gave Cambridge £8m MRA students - complete with for a management institute. However, his son graduated Roman amphitheatre - is awaiting planning permission.

Named after its benefactor. the business school is being billed as a competitor with the leading US institutions. For this it will require matching staff quality: £2m of Mr Said's £20m will go into a fund to endow posts. "Oxford has to compete with Harvard, Whar-ton and the Sloan School of ment; it will be educating the future business leaders of Britain and it needs to

be able to pay the rate for the job," said Mr Said. His role in managing the business school will be "minimal". However, he will retain a strong influence through a foundation of 10 trustees five nominated by him, including Str Charles Powell, Baroness Thatcher's former foreign affairs adviser, and Lord Alex-ander, the chairman of National Westminster Bank, A. strong supporter of the Conservative party, to which he has donated nearly £300,000

London and Dublin meet over peace crisis

since 1979, Mr Said's views are in close accord with those of its former leader. Oxford sees the donation as

a significant coup, coming after its successful fundraising appeal which raised £340m in six years.

Although several companies

and charitable trusts have made multi-million pound donations, Mr Said's personal gift has few recent rivals. Lord Jenkins, the university's chan-cellor, said the donation would enable management studies to take off at Oxford in the same way that medical sciences did after Lord Nuffield's generous benefaction given in

He declared that Mr Said had joined "the list of those who have given major endow-ments to Oxford, and to whom Oxford has given immortality". Cheap at £20m, perhaps.

Sir Patrick and Mr Spring will meet

tomorrow in a full ministerial session,

which will be attended by Sir Hugh

Annesley, the chief constable of the

Royal Ulster Constabulary, who will be

asked to explain his actions last week.

In the Commons, Mr John Major, the

UK prime minister, told MPs that the

governments and parties had a respon-

sibility to ensure that last Saturday's

bomb in Enniskillen - the first in the

Andrew Adonis

the inter-governmental conference, not province for two years - dld not

Pentagon urged to back Lockheed

By Bernard Gray, Defence Correspondent

Intensive negotiations are going on in Washington in an effort to persuade the Pentagon to back Lockheed Martin's bid for the £2bn (\$3.12bn) programme to replace UK mari-

time patrol aircraft.
Lockheed is pressing the
Pentagon to write to the UK Ministry of Defence saying that if the UK buys the Orion 2000, which Lockheed is developing with GEC, then the US will back the aircraft for its replacement maritime patrol

needs. Currently British Aerospace is leading the competition with its proposal to update the existing Nimrod jets, and its bid has strong support from the MoD. However, officials close to the Lockhood programme say.

the Lockheed programme say that a letter backing the Orion could be drawn up for signature by Mr William Perry, the US defence secretary, or even President Bill Clinton. The letter could commit the US to establishing a joint liaison office on maritime patrol, with the intention of making the Orion 2000 a joint US-UK pro-

If the US bought Orion, it would produce substantial export business for GEC, which would make the electronic anti-submarine warfare system that forms the heart of the aircraft.

However, the Lockheed-GEC team has several hurdles to clear before it can win a Pentagon endorsement. The Pentagon has restrictions which bar it from committing Congress to long-term expenditure on par-ticular programmes.

Any letter is thus likely to be

encouraging rather than legally binding. Such offers may not impress Mr Michael Portillo, the UK defence secre-tary, who has been looking for the US to increase the amount of defence equipment it buys from the UK, to balance British

purchases from the US. The proposed letter may be too late to affect the competition, as the MoD intends to announce the result of the competition before parliament

rises on July 25. Lockheed and GEC have also offered further price cuts and increased work in the UK if the MoD delays a decision for details to be worked out.

The Treasury has seized on such offers as a reason to delay announcements on the sircraft and two missile contracts until the autumn. Mr William Waldegrave, the chief secretary to the Treasury, is thought to want to cut the MoD's budget. However, Mr Portillo is fighting for an early

"relaunch the cycle of violence that has so scarred life in Northern Ireland over

recent years". Mr Major urged loyalist paramilitaries not to retaliate by ending

the ceasefire called in October 1994. Meanwhile, the British army announced that it was withdrawing

more than 500 soldiers who had been

flown to Northern Ireland at the height

of the Drumcree crisis last week.

Armed forces chiefs said they had suffi-

cient forces to back up the RUC.

UK NEWS DIGEST

Merger talks for Channel ferries

Three cross-Channel ferry companies - P&O, Stena Line and Hoverspeed - were given the go-ahead by the UK government yesterday to hold merger talks to allow them to compete more effectively with the Channel tunnel.

Ferry groups operating services between France and England, including the French government owned SeaFrance company, have been engaged in a fierce price war since the tunnel opened in 1994 and have been making considerable losses. A total of 21m passengers cross the Dover Strait each

An end to this tough competition but the possibility of higher fares for travellers were signalled yesterday when Mr Ian Lang, the trade and industry secretary, released the companies from undertakings which prevented them from pooling activities, aligning their fares or merging. A Monopolies and Mergers Commission report in 1974 had said that such agree-ments would work against the public interest – a recommendation reinforced by a further report in 1982.

It is unclear how the competition authorities would rule on any merger application, but the two companies between them have an estimated 50 per cent of the cross-Channel market -P&O with around 30 per cent and Stena with about 30 per cent
- while Eurotunnel, operator of the Channel Tunnel, has
about 35 per cent. Hoverspeed has 7 per cent. Stena
pulled out of a co-operation agreement with SeaFrance last

Eurotunnel said the government's decision to free the ferry companies to bold discussions was sensible. "It might strengthen the competition, but it should make for a more orderly market," said Mr John Noulton, Eurotunnel's public affairs director. P&O's shares rose 8p to 500p yesterday while Stena's shares fell SKr0.90 to SKr30.10. Eurotunnel fell Charles Batchelor, Transport Correspo

PRICE CONTROLS

British Gas plea unheeded

The campaign by some City institutions to persuade Ofgas, the gas industry regulator, to relax its tough, draft price control proposals on British Gas appears to have failed, says the com-

pany.

British Gas executives say they have seen "no impact" so far of the City's lobbying effort on the thinking of Ms Clare Spottiswoode, the Ofgas director-general, who is expected to publish final price control proposals next week.

Publication last May of the draft controls for TransCo, the company's pipeline monopoly, caused the British Gas share price to plummet. More than 35,000 protest letters were sent to the regulator by individual British Gas shareholders.

The proposals also caused some institutional investors to challenge her claim that the present pricing formula favours shareholders over consumers by giving them excessive returns

■ BROADCASTING

BBC calls for borrowing power

The BBC plans to open talks with the Department of National Heritage this autumn on reinstating its £200m (\$312m) borrowing limit and winning the freedom to borrow against assets on its commercial activities to fund international expan-

BBC borrowings, which count as part of the public sector borrowing requirement, are heavily constrained because of an agreement with the government that they should be reduced to zero by the end of this year.

The right to have a new borrowing limit is needed to reequip the BBC with digital technology. This is in addition to the proceeds the corporation will be able to keep from the privatisation of BBC transmitters. The ability to borrow against the corporation's commercial assets is also needed to fund the acquisition of rights and events for broadcast by BBC Worldwide, the corporation's commercial arm. Raymond Snoddy World Service war, Page 18

■ TELECOMMUNICATIONS

Mobile phone row defused

The government has defused a row over the allocation of radio frequencies to mobile telephone operators by giving previously unallocated channels to Vodafone and Cellnet while reserving spare spectrum for Mercury One-2-One and Orange in their

existing frequency range.

A key condition in the deal is that Vodafone and Cellnet, the UK's two largest operators with more than 2m subscribers each, will shut down their analogue networks by 2005. Vodafone and Celinet intend to use the new channels to develop dual mode business handsets which will operate as wire-free phones within the office and conventional mobile phones outside. The Department of Trade and Industry said yesterday that their plans, taking in eventually the residential sector, would involve the investment of several hundred million pounds in infrastructure over the next few years. Spectrum in the region used by personal communications

network (PCN) operators like One-2-One and Orange became available after consolidation in the industry in the early 1990s All four operators placed bids for the spare capacity. The DTI said the spare PCN capacity would be allocated to One-2-One and Orange "when they could show a demonstrable need

BAA told to cut airport charges

violent scenes surrounding the Orange

While furious at the lack of consulta-

tion over the police decision to allow the perade through the Catholic district

in Portadown, Irish officials said Mr

Spring was anxious not to inflame the row after Mr John Bruton, the Irish

prime minister, went public with his

criticism of the handling of the crisis.

A senior Irish official described the

atmosphere as "cool", but added that if

Order march in Portadown

By Michael Skapinker, Aerospace Correspondent

The Monopolies and Mergers Commission said yesterday that BAA, the airports group, should make real cuts in landing and take-off charges at London's Heathrow and Gatwick airports over the next five

The MMC said, however, that BAA could increase charges at Stansted, the smallest of its London airports. It also held out the prospects of increased charges at Heathrow and Gatwick between 2002 and

The MMC and the Civil Aviation Authority - which is required to implement the pro-posals - rejected a suggestion made earlier this year by the House of Commons transport committee that Gatwick and Stansted be placed in a separate company from Heathrow to encourage competition.

A proposal that Heathrow Airport's planned fifth termi-

public tender was also rejected.

The MMC said it could only recommend that BAA be broken up and terminal five put out to tender if the existing set-up could be shown to be contrary to the public interest - but it could not

Sir John Egan, BAA's chief executive, said that restricting charges would place a heavy burden on the group. The City accepted that the ruling could have been far worse. BAA was one of the few large nal should be put out to companies whose shares rose

yesterday - up 15p to 493p. The commission recommended that landing, take-off and aircraft parking charges at Heathrow and Gatwick be allowed to rise by no more than three percentage points less than the retail price index during 1997-2002. Charges during 2002-2007 should be allowed to rise by inflation plus two percentage points.

It said charges at Stansted should be allowed to rise by This advertisement is issued in compliance with the requirements of the London Stock Exchange Limited (the "London Stock Exchange"). Application has been made to the London Stock Exchange for 30,790,663 Class B Shares, no par value, of Stoly-Nielsen S.A. to be admitted by way of introduction to the Official List. It is expected that listing will be granted on 18th July, 1996 and that dealings will commence on 18th July, 1996.

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Managers 'failing to find growth switch' which accounts for just 8 per cent of total sales as part of a

Industrial managers in Britain lack skills at expanding their businesses, according to Mr Allen Yurko, the US chief executive of Siebe, the UKowned engineering group.

*Britain is one of the most

difficult places in the world to turn on the growth switch fin industryl," Mr Yurko said in an interview with the Financial Times.

Siebe, one of the country's largest engineering concerns, has expanded rapidly in the past five years to register annual sales of more than £3bn (\$4.68). It is one of the

UK's top 50 companies ranked by market capitalisation. The company has tried to counter what Mr Yurko contends is a cultural problem with an incentive scheme for its executives. This gives bonuses to those whose divi-

annual sales growth. "The UK is an excellent are wonderful at it. This is

sions achieve 10 per cent

place for manufacturing but on the whole UK managers are downsizers," said Mr Yurko. They are restructurers and necessary, but at some point necessary, but at some point rates over a long period. [in industry] you need to Of Siebe's 42,000 employees, Mr Yurko also said Siebe

of top-flight engineers in the UK, due to engineering "not being thought of as a glossy thing to do". The company's controls division last year advertised for 150 engineers, offering salaries of between £30,000 and £75,000. It filled only half the vacancies. The executive's comments

are likely to fuel the debute about the degree to which UK companies can emplate some TIS companies - such as Hewlett-Packard and Compag - and achieve high growth about 5,000 are in the UK -

remarks indicate that he thinks the company's expansion could have been greater were it not for the UK management culture - which in the past, he says, has "not been growth oriented". In the past decade, Siebe has spent about £1.6bn on acquisitions, helping it to leap from

deliberate strategy of interna-

tionalisation. Mr Yurko's

annual sales of about £200m in the mid-1980s. It is one of the world's top manufacturers of control systems for large process plants and for domestic Allen Yurko: engineering 'not appliances.



t's an ill wind that blows no good, so when Kenetech Windpower, the big US wind power company, filed under Chapter 11 of the US Bankruptcy Code in May, the heads of rival companies in Europe rubbed their hands with

Wind power is booming in Europe thanks to improved technology, falling costs and a European Union commitment for 8 per cent of Europe's primary energy to come from renewable sources by 2005.

"Wind energy is the most mature and least exploited of renewable sources," says Juan Fraga, general secretary of Eufores, a European industry body for renewables. Under the EU plan, wind will supply 2 per cent of electricity demand

The target is not ambitious and many regions of Europe will easily surpass that figure. In the German state of Schleswig-Holstein, wind supplies 4 per cent of electricity erate 10 per cent of its electricity from wind by 2000.

Wind power grew up in California in the 1980s but the US industry is under a cloud because of budget cuts to wind programmes and frequent changes in federal and state incentives. Many blame this uncer-tainty for Kenetech's plight, but it also suffered blade failures and other technical problems with its

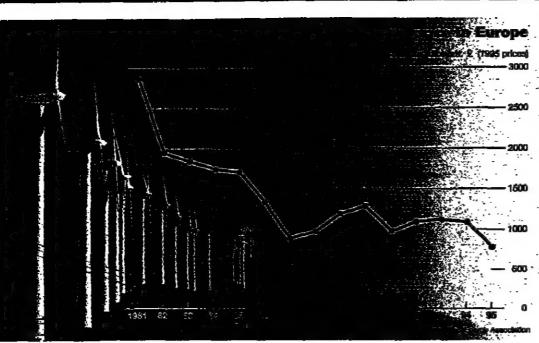
The biggest wind power market is now Europe, which in 1995 overtook the US with 2.420MW of installed capacity against 1,700MW, according to the European Wind Energy Association. Asia is also growing fast, particularly India where 500MW of capacity was installed in

Wind power technology has improved greatly in recent years. Turbine capacities have risen from 75kW to 600kW in 10 years and reliability is close to 99 per cent. Big-ger, more efficient, turbines and greater production volumes have cut the cost of wind-produced electricity by 30-50 per cent since 1990, and in some countries it is approaching that of fossil fuels.

"Of all the renewable energies, wind is closest to market in terms of economic viability," says lan Mays, the association's president.

One company quick to grasp the commercial opportunities of wind is Gamesa, the Spanish aerospace company. In 1995, its fledgling wind power subsidiary, Gamesa Eòlica, installed 18 turbines and had turnover of just over Ptalbn (25m). By the end of 1997, managing director Juan Ramón Jiménez forecasts, there will be an installed base of 250

turbines and turnover of Pta20hn. In March, Gamesa Eòlica com-pleted its first wind farm, on the exposed El Perdón ridge outside its



This happy breeze

Wind power is taking Europe by storm, but the industry is facing opposition, explains **Geoff Nairn**

Spain. The site has 40 turbines and generates 20MW for the local utility. Gamesa Eólica aims to complete a second plant of similar capacity by tricity utility of Galicia, north-western Spain, to build jointly 984MW of wind capacity, while other Spanish regions, such as the

The Navarra regional government plans 10 more wind farms by 2000, when 11 per cent of the electricity consumed there should come from wind. Today only 10 per cent of electricity is generated locally, using mainly hydroelectric plants, and the region plans to expand wind and hydroelectric power to become self-sufficient in electricity by 2010. "It's a very ambitious target but we will achieve it," says

Gamesa turbines, based on Danish technology, produce 600kW and are mounted on 40m pylons. They cost Pta70m each and will work with wind speeds as low as 5m a second, aithough the average speed at El Perdon is 9m a second. The 39m diameter blades have yet to be blamed for any bird deaths - something which has turned environmentalists against wind farms in Tarifa, southern Spain, and Calif-

Gamesa Eólica this month signed home town of Pampiona, northern an agreement with EHN, the elec-

Basque country, have similarly ambitious plans to use wind power to reduce their energy deficits. Germany and Denmark are the

European leaders in wind power, but Spain is growing fast and will have more than 300MW of installed capacity in 1997, compared with 50MW in 1993. The potential is much greater - studies have identified sites which could generate 2,400MW in total using current tech-

Elsewhere in Europe, France and Ireland have good technical potential for wind power, although the than 126 terawatt (thousand billion watt) hours of onshore wind energy waiting to be harnessed each year. Despite aggressive expansion plans, the industry is meeting oppo-

sition from some utilities and fossil fuel generators. Vested interests looking with some concern at what wind energy is achieving," says Mays. Utilities complain that wind-gen-

erated electricity fluctuates in

power and is difficult to manage. Wind farms are often far from centres of demand, but transmitting surplus power long distances is inefficient and can overload the grid if the wind blows strong, they say.

Fossil fuel generators claim the

price premiums many EU states pay

for electricity from renewable sources are too generous to wind farms and distort the market. The forthcoming liberalisation of the EU energy market creates further uncertainty. The wind power industry is now fighting back. It believes some form of price support must stay in place for wind-gener-

ated electricity because of the lon-ger payback time (15 years) of a wind farm compared with, say, a The industry also claims that fossil fuel and nuclear generators ben-efit from indirect subsidies and so the price premium for renewables is justified, even before the environ-

mental benefits are considered. Generating 2 per cent of Europe's electricity from wind would allow seven 1,000MW coal-fired plants to he decommissioned and reduce emissions of carbon dioxide by 30m. tons a year.

Chile's 'man-made' earthquake

Plans for a \$1bn wood pulp plant are causing tremors in a local community, reports Imogen Mark

The worst earthquake ever measured and the huge tidal wave which followed it almost put paid to Valdivia back in 1960. Now the inhabitants of this quiet farming town in southern Chile are wondering if a man-made corthquake is about to hit them. This one is a \$1hn (£600m) investment for a

550,000-tonne wood pulp plant, one of the biggest in the world. Inserting a big industrial plant into a community based on dairy farming, forestry, tourism and the local university will bring its own social problems. But the public debate has focused not on the social impact but on the social impact but on the environmental problems the industry may create. And for the first time in Chile's short history of environmental planning, the authorities have held up they are satisfied that proper

safeguards are in place.

The main concern has been to measure and mitigate the effect of the liquid waste from the plant, which contains toxic chemicals and traces of heavy metals. Originally, the company was proposing to apply only the standard primary and secondary treatment processes, and then dump the efficient back into the nearest river, Rio Cruces.

But the river estuary is turrounded by marshland, created as a result of the earthquake and protected by the international wetlands agreement, the Ramsar convention, which Chile has signed. It is also the site of Chile's only bird senctuary, the home of black-neeked swans and ospreys.

In February local environmental experis criticised the company's environmental impact study. They sent a report to the regional task is to balance the needs of

include the regional political authorities, who are clearly revenues. But on this occasion they accepted the criticisms from ogists at the local university and other experts. At the end of

May the commission approved the plant only on condition that the water waste was either treated to remove all the toxic chemicals or that some other solution was

The company, Celulosa Arauco, calculated that an extra filtering process would cost another \$10m to install, and that the running costs would add \$2.5m a year to its annual operating costs. Instead, ft now proposes to build a pipeline to take the efficient out to the north of the plant, well away from Rio Cruces, and dump it out to sea at Mehuin, a small fishing village and seaside resort 20 miles from

the plant site. For this solution the project must present a separate environmental impact study. But at present the villagers of Mehuin are refusing even to allow access to the authorities to draw up the

Impact studies are voluntary, though new regulations are about to be approved making

them mandatory for · major projects

guidelines for the study. They fear the pipeline and its toxic waste will wreck their livelihoods. In addition, two local green groups have taken the regional ssion to court to challenge commission to court to court its decision to permit the pulp plant. A first ruling is expected by the end of the month, but can then

be appealed in the Supreme Court. The delays and the new conditions have been a blow to Celulosa Aranco. It has been planning the project since the beginning of the 1980s, buying land, planting trees and installing a modern sawmill near the site for the plant. Its original building schedule was to have the plant coming on stream by mid-1999. Celulosa Aranco is Chile's biggest forest products company, and owned by Copec, one of

Chile's biggest private companies which in turn is partly owned by

Carter Holt Harvey of New Zealand. CelAranco had export sales of \$880m last year in Europe and East Asia.

The company is well aware of the weight of the green consumer the weight of the green constituer lobbies in its markets. "Our plants are built to Swedish and Canadianstandards, and we are committed to taking maximum care of the environment," Victor Renner, the project manager, says. "If we didn't, nobody would buy pulp

He feels the company bent over backwards from the start to present and discuss the project and its impact with the anthorities and the local community, including the green lobby groups. It knew about the bird sanctuary, indeed it had even thought of using a black-necked swan as the plant's logo, Renner

commission for the environment was critical of CelAranco's initial study. Conama's president. that the local authorities request: more information before approving the project.
Impact studies are voluntary at

the moment, though new regulations are about to be approved making them mandatory for major projects such as the Valdivia plant. But since the turn of the decade most big foreign investors have done them, in line with their own company policy, and blue-chip Chilean companies like CelArauco have followed suit.

In the case of the Valdivia project, Conama wanted to set standards for the amount of detailed information to be included because, Blanlot says, "there is an important principle at stake. We want a self-regulating system for impact studies, but that means we have to demand rigorous standards from the beginning, so the companies themselves take the studies very

"The system won't work unless the state can say, as we did in this case, that we will not take a decision unless we have enough information to take it

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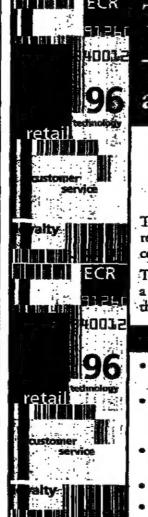
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TV. After the paroxysms of

Wimbledon, World Cup foot-ball and Test matches, and with the

threatening as hurricane Bertha,

dance is trotted out as a sop for

footballers. (More of this in a moment, though, courtesy of DVS).

Dance on television is a vexed,

sad matter. There is the annual dis-

alternative to yet another compila-

tion of Morecambe and Wise clips.
(Those scripts must now be more familiar, and probably more mean-

ingful, than Land of Hope and Glory). There is the occasional

showing of a foreign delicacy: Chan-

warning from the beak for daring to transmit the Joffrey Ballet's stupe-tyingly vulgar Billboards, then fol-

play of a ballet classic as Yuletide

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> lowing it with the nugatory Two by Dove, a couple of stinkers by Ulysses Dove co-produced with WNET But small-screen dance as a way of exciting an audience, of encouraging interest in any kind of movement and, perish the thought, of making a Reithian gesture towards bringing the best to the largest pubmigration, then helper were The service of the se The state of the s lic, is a non-starter for our programme-masters. I recall that in the 70s and 80s, the BBC Dance Months Transport Mg

THE STREET A Marin to the Automotive of total ter your many the THE THE COURT OF SPECIF The state of the s strategy to the control of the was made years. Permitted to the American A STATE OF STATE OF STREET and a series of the series of and were the second

> In Graham Vick's staging here. there is not much to see. The action of the opera, like Wedekind's original plays (Berg reduced Earth Spirit and Pandora's Box into a single script), travels through many different, sharply contrasted locations, from seedy to grand to glitzy to

Vick has chosen to represent them all by a single, enveloping brick wall, the full height of the stage, enlivened only by a diagonal line of pop-in, pop-out steps running from the floor at one to side to the flies at the other (designs by Paul

plution ausgebrochen!"

pretty much to the letter. The actors play them out like charades. Quite lively charades, at least; everybody works hard, though the farcical scene with Lulu's lovers concealed all over Dr Schön's house is now unplayable - there is nowhere to hide, and all they can

The veteran Wolfgang Schöne makes an effectively tortured Dr

Camera puts dance through its paces ummertime. The Silly Season con some scheduling which treated all director evidently needing to do son. The dance season on sorts of dance with seriousness and

Television/Clement Crisp

programming was new, some was bought in. There is still a large rep-Olympic Games on the horizon as eriory of fine work - I think of the output of Dance in America - which those who prefer physical energy to be more than beefy displays of mus-cle and bloke-ish embraces between deserves to be seen here. There are major choreographers in Britain whose creations merit TV showing recent pieces by Siohhan Davies (her dazzling Art of Touch) and Kim Brandstrup (Othello with Muk-hamedov; his haunting Saints and Shadows) are of ideal scale as well

as ideal worth for recording. I should note in passing, though, that there is an astonishing amount of dreadful foreign dance film that ahould be kept out of the country at all costs. A few years ago I sat on the jury of an international teledance festival and was daily beaten about the head by productions of the most malign bedness. My prizes nel 4 carned our thanks this year for presenting Mark Morris's superb Dido, while BBC 2 deserves a final were migraines and renophobia.

Lack of will, lack of willingness,

mark our TV dance-programming. The attitudes implicit in a current season of short dance offerings on BBC 2 are dispiriting. The third series of *Dance for Camera* has just got under way, offering 12 five min-ute films which should drive view-ers to the bottle. They are a collaborative effort by the BBC and the Arts Council; they have little to do with dance but a great deal to do with directoral caprice and presen-ston. Choreographic content is minimal and some excuse for the cam-70s and 80s, the BBC Dance Months era's madcap ways may be found in were a summer festival of well-rea-

something while the dance treads something very like passion. Some its miserable paces. By turns frantic, incomprehensible, winsome, these little items are a denial of dance itself. The honourable excep-tions are a black and white handstudy by Jonathan Burrows (to be seen on July 24) and Mark Baldwin's Echo (on July 13), with its design by Anish Kapoor and abla direction by Boss MacGibbon.

MacGibbon, who was a dancer with the Royal Ballet, shows understanding of movement and how it may be best conveyed by the camera. His contribution to the season is a version of Yolande Snaith's Swinger (shown on Monday night).

he ingredients are significant: four fine dancers, headed by the wonderful Lynne Bristow; Roland Barthes' A Lover's Discourse in an adaptation by Craig Raine; a bold set dominated by a huge pendulum; Snaith's subtle perceptions about the vagaries of passion. The result is television dance which matches camera-work with the dancers' moves, without denying either, and holds the spoken word in balance.

The other hig piece is Enter Achi-lles, to be seen tonight, the latest BBC recording of a dance-theatre piece by Lloyd Newson's DV8 troupe. (Two earlier works have also been filmed). Directed by Clara van Gool, it is an adaptation and editing of DV8's exercise in "manliness", identified here as boorishness and beerishness. The setting is



Partners in arms: sequence dancers Jean Meredith and George Woods in Channel 4's unpretentious 'Strictly Dancing'

a pub, the subject is male bonding of a drunken and aggressive kind -the only girl is inflatable and maltreatable. The manner has a knee-in-the-groin, smash-yer-lead-in joviality as cover for the mindless rampaging of Friday-night drunks, and the action reveals ambiguities and mute sufferings as the undercurrent to the umpteenth pint. It is cleverly observed, well-transferred from

stage to screen, and well performed. As an antidote to the self-conscious, self-regarding experiments in the BBC 2 Dance range, let me commend an illuminating series on Channel 4 which will run during August and September. The British rarely acknowledge that they are a

dancing nation - ballst is poor's football; anything else is slightly infra-dig - in spite of massive evidence to the contrary, from the Royal Ballet to Come Dancing, and despite the significance of dancing as an educational force in the country (as seen with both the Royal Academy of Dancing and the achievements of such schools as

achievements of such schools as Harehills in Leeds.)
Channel 4's Strictly Dancing is a series of six programmes about how people, we the viewers people, like to dance. We do western line dancing ("You get a great sense of happiness out of it," says a Glasgow family) and Irish act dance. ("it makes ily) and Irish set dances ("it makes you feel alive"). We learn to tango

and study Egyptian dance. An elderly couple are devoted to sequence dancing ("More people go to sequence dancing on Saturday night than go to football on Saturday afternoon" - a statistic I urge to the attention of the BBC programmers), while Ceroc ("very sexy") can involve a young solicitor and, as "an infectious dance", can

become part of Christian worship. Hurran for these programmes, which are illuminating and unpretentious, and hurrah for those who dance in them and look happy as they do so. I am prepared to bet that the series will bring more people to dancing, and will encourage a feeling for its joys. That is not a Arts Council/BBC 2 jamboree.

wager I would care to make about the BBC 2/Arts Council offerings, which are like giving stones to an audience boping for bread. The pub-lic has, of course, learnt not to expect the delicious cake of grand balletic and dance performance. unavailable to those who do not have the occasion or the funds to visit an opera house or see the world's great dance troupes. Never mind: there are always those large girls throwing things in the Olympics or another programme about clever pets to stimulate our muids. And then it may, as Miss Austen said, be possible to do without danc-

Opera/David Murray

Tarty Lulu tries to play the innocent

reached the Glyndebourne fes-L tival. Lovingly conducted by Andrew Davis at the opening night on Monday, it was less exciting than his concert performance of the opera on the South Bank a couple of years ago, not to mention the Covent Garden production (which one longs to see revived). Still, this

With any sense of place obliterated, Vick has also jettisoned the period: the cast wear featureless modern clothes, though Alwa still gets to report that "In Paris ist Rev-

The stage directions are observed

do is rush for the exits.

t is 61 years since Alban Berg Schön, though he is a lesser figure died, and his Luke has at last than Gunter Reich or Franz Mezura in the role. David Kuebler's bright tenor, tight but true, suits his son Alwa very well.

There is a lovely, touching les-bian countess from Kathryn Harries, a sly, crepitatious Schigolch from Norman Bailey, a remarkably clever schoolboy from Patricia Bardon, a fine vaudeville turn by Don-ald Maxwell in the prologue (he is also the rough, crude athlete later), an excellent, poisonous marquis from Neil Jenkins.

And what of Lulu herself? Well. Christine Schaller sings her with art and confidence, but Vick has cho-sen to make her a completely blank innocent. Not a knowing innocent, still less a seductress (despite what the prologue says): just a cipher, though later she becomes conven-tionally tarty.

No doubt Vick takes the popular

view that Lulu is whatever each man makes of her, but men make something of her because there is already something extraordinary and irresistible about her, and we never see that. The impression is that any nubile, tolerably pretty girl would do. That was certainly not Berg's intention, nor Wedekind's.

Vick's version is simply less interesting, and with this placid, passive heroine it takes a long time for the action to come to life. That said, this Lulu still gives very clear account of what is going on; and Berg's wonderful score

impassioned, desperate. Spansored by the Glyndebourne Association America Inc. Further performances to August 19.

sounds perpetually fascinating,



Lulu in a tutu: Christine Schäfer 'sings with confidence'

US Ballet/William Deresiewicz

Burdened by expectation

Ballet is an old one by now. The dancing has lost its force; new choreography is unrelievedly dismal; a few of the senior principals valiantly uphold the old standards.

Balanchine's giorious kingdom, under Peter Martins' misrule, lescends ever deeper into barbarism and strife.

Patiently, the faithful await redemption - the next great balle-rina, a visionary young choreogra-pher - communing with the spirit of the master in the ruined temples

his ballets have become. With things in such a state, new talent is inevitably loaded with an excessive burden of expectation. Rthan Stiefel, promoted to principal last year, took on a number of important roles this spring. Stiefel certainly has brilliant alle-

gro technique. He shifts weight and direction at top speed without loss of tension or shape in the upper body. His feet race through the most intricate combinations with near-perfect clarity and rhythmic ision. But for all his skill, Stiefel makes curiously little impact. In part because of his shortness and slim build, but more because of a cramped, uncommunicative quality of spirit, his dancing fails to regis-

ter in expressive terms.

It is not so much that Stiefel has an unappealing temperament as that he doesn't seem to have any temperament at all. And this is precisely the problem one finds throughout the younger generation at NYCB. They are, almost without exception, skilful, dutiful, and dull. The exception is Maria Kowroski. The 19-year-old Kowroski – statu-

esque, prgent, raw - has been thrown into more Balanchine roles more quickly than any other ballethe company. Indeed, given the state of things, she will be lucky to save herself but she has energised and elevated at least one of its other members. For years NYCB has suffered

ring in years. She will not save

from a dearth of decent male partners. The acquisition of the Kirov's Igor Zelensky four years ago did nothing, at first, to redress the problem. With Kowroski to guide, frame, and adore, Zelensky has caught fire. Theirs is one of the few seems more like a love affair than a Balanchine era such theatrical

ne of the reasons Kowroski has been given so many roles so soon, of course, is that few of the younger dancers can be trusted with them. With Darci Kistler out for pregnancy and Nikolaj Hubbe idled for most of the season by injury, the core of reliable principals narrowed ever further.

Kyra Nichols, nearing 40. remains the company's transcen dent classicist. What she has lost in power she makes up for with exquisite musicality and subtle interpre-tive brilliance. We had all better pray that she keeps dancing until she is 60.

To watch Nichol Hlinka team up with either Damien Woetzel or Peter Boal was pure delight. Hlinka's dancing, with its melodious phrasing and firm muscular emphasis, fairly shines with sweetness, modesty, and charm. Woetzel. a supreme technicism, keeps chal-lenging himself to new feats. I do believe I saw him turn a multiple ptrouette this season that sped up as it progressed rather than slow-ing down, though this would seem to violate the laws of physics.

brought a much-needed infusion of animation and warmth. What a gracious partner he is, and so marvellously comfortable before an audience. In *Domicetti Variations*, Balanchine's study in the homey style of Hubbe's native Denmark, he romped around the stage as if it

were his own living room. Albert Evans turned in another great late-season performance as Puck in A Midsummer Night's Dream. For once I felt something of magic. It is telling that most of the choreographers who make new work on the company avoid its best dancers. In effect, the soloists and younger principles have come to constitute a repertory ensemble for

bad contemporary ballet.
Peter Martins invited Ulysses Dove and Kevin O'Day to join him this season in filling the quota of new material. All three produced trivial, formulaic work in which even they seemed scarcely to be interested. The notion that art can be disturbing to its audience, if only by showing us people who are fully awake to what they are doing. seems almost to have passed out of

It may well be too late to reverse the decline at NYCB, but one oftmade suggestion is worth reiterat-ing. Suzanne Farrell staged a season of Balanchine masterpieces last year that showed once again how brilliantly she is able to mount the works of the man whose greatest interpreter she was.

This may not mean that Farrell can run a company, but if she can not, she has at least earned the chance to prove it. Current management has already done so with ample clarity.

INTERNATIONAL

AMSTERDAM

CONCERT Concertgebouw Tel: 31-20-5730573 Nieuw Sinfonietta Amsterdam: with conductor Lev Markiz and cellist Quirine Viersen perform works by Haydn and Brahms; 8,15pm; Jul EXHIBITION

Stedelijk Museum Tel: 31-20-5732911 • Under Capricorn: this exhibition focuses on artists' views on life in a world which seems to be getting smaller as a result of modern (communication) techniques. A similar exhibition is held simultaneously in the Weilington Art Gallery in Wellington, New Zealand. The display features works by about 20 artists; to Aug 25

BERLIN

EXHIBITION Berlinische Galerie Martin-Grookus-Bau Tel: 49-30-254860 Anne Ratkowski – Eine

vergessene Künstlerin der Novembergruppe: exhibition devoted to the work of the German painter Anne Ratkowski, a member of the Novembergruppe, a movement of Expressionist artists formed in Berlin in 1918. The display includes still lifes and portraits; to Oct

■ CHICAGO

EXHIBITION Art Institute of Chicago Tel: -312-4433600

 Since the Hariam Renalissance, Sticky Years of African American Art: exhibition of about 25 works from the museum's collection to complement the travelling exhibition 'Alone in a Crowd". Featured are 20th century prints and drawings by about 15 African American artists, including Charles White, Walter Ellison, Allan Rohan Crite, Romare Bearden, Jacob Lawrence, Vincent D. Smith and Margaret Burroughs; to Aug 25 Museum of Contemporary Art Tel:

1-312-280-2660 Negotiating Rapture: a major loan exhibition featuring work by international contemporary artists, including Francis Bacon, Joseph Beuys, Lucio Fontana, Shirazeh Houshlary, Anselm Klefer, Agnes Martin, Bruce Nauman, Barnett Newman, Ad Reinhardt and Bill Violat to Oct 20

LONDON

EXHIBITION Courtsuid Institute Galleries Tel: 44-171-8732526 • The Four Elements: this exhibition draws together prints and

drawings from five centuries to show the four elements - fire, water, earth and air - in mythology and real life. Mixing together artists from different times and traditions, the exhibition contrasts images of classical stories, domestic scenes and the frankly sattrical. Included are works from the museum's collection by Manet. Dürer, Guercino, Bruegel, Gauguin, Hieronymous Bosch, Guardi, Rowlandson, Tumer, Samuel Palmer, Constable, Piranesi, Tiepolo and others; to Sep 22 National Gallery Tel:

44-171-7472886 Degas as a Collector: this exhibition features Degas' collection of paintings, drawings and prints. The display includes works by Ingres, Delecroix and Manet; to Aug

Whitechapal Art Gallery Tel:

44-171-5227888 Whitechapel Open and East London Open Studios: new work by East London artists. The exhibition extends to film, video and installation as well as painting and sculpture. The project has become an important platform for contemporary British art; from Jul 19

to Sep 15 JAZZ & BLUES Purcell Room Tel: 44-171-9604242 Secret Rhythm Society: percussionists Plichard Alileye, Kevin Haynes, Talvin Singh, Thomas Dyani and Wades Austin, flautist Byron Wallen and trumpeter/keyboard-player Rowland Sutherland perform Jazz music; 8pm; Jul 18

LOS ANGELES MILISICAL . Ahmanson Theater Tel:

1-213-972-0700 Carousel: by Rodgers and Hammerstein. Directed by Nicholas Hytner and choreographed by Kenneth MacMillen. The cast includes Sherry D. Boone, Sarah Uriante and Kate Buddeke; Tue-Sat 8pm, Sun 7pm, Sat, Sun also 2pm; to Aug 25 (Not Mon)

NEW YORK CONCERT Avery Figher Hall Tel: 1-212-875-5030

· Emerson String Quartet: with planist Ulian Kallir and double bass-player Timothy Cobb perform Schubert's Quartettsatz, Quartet in A minor and Plano Quintet in A major (Trout). Part of the Mostly Mozert Festival; 8pm; Jul 18 EXHIBITION

The Metropolitan Museum of Art Tel: 1-212-879-5500 Modern Glass as Art, this exhibition, selected from the Metropolitan's collection of 20th century architecture and design, explores glass as a medium for contemporary art and includes works made by a variety of techniques manipulating the glass through blowing, casting, etching, flameworking, and stained glass; to Oct 6

MUSICAL Shubert Theatre Tel: 1-212-239-6200

 Big: by John Weidman, Richard Maltby Jr and David Shire. Directed by Mike Ockrent and choreographed by Susan Stroman. Leading the 30-member cast is Daniel Jenidns as Josh. Also featured in the cast are Crista Moore and Jon Cypher, Tue-Sat 8pm, Sun 3pm, Wed, Sat

also 3pm; to Nov 30 (Not Mon)

PARIS

EXHIBITION Musée d'Orsay Tel: 33-1 40 49 48

 Menzel (1815-1905), 'la névrose du vral': retrospective exhibition devoted to the work of the German impressionist painter Adolph Menzel. The exhibition, organised in co-operation with the National Gallery in Washington and the Stiftung Preussischer Kulturbesitz in Berlin, comprises 47 paintings and 95 drawings; to Jul 28

■ ROME CONCERT

Accademia Nazionale di Santa Cecilia Tel: 39-6-3611064 Orchestra dell'Accademia Nazionale di Santa Cecilia: with conductor Shao-Chia Lū and pianist Joaquin Achucarro perform works by Glinka, De Falla and Ravel. Concert at the Villa Giulia; 9pm; Jul

SAN FRANCISCO

CONCERT Louise M. Davies Symphony Hall Tel: 1-415-864-6000 San Francisco Symphony: with conductor Vance George and the

San Francisco Symphony Chorus perform works by Rodgers and Hammerstein, and others. The programme includes songs from the musicals Entracts, The Sound of Music, Carousel, The King and I, Showboat, Annie Get Your Gun, Kiss Me Kate, Roberta, Gay Divorceo, South Pacific and Oklahomal; 8pm;

Jul 18 EXHIBITION

SFMOMA - Museum of Modern Art Tel: 1-415-357-4000 The San Francisco School of Abstract Expressionism: this exhibition explores the work of the Abstract Expressionist movement on the west coast and includes about 65 works by artists such as Jay DeFeo, Richard Diebenkom, Sonia Gechtoff, Walter Kuhlman, John Saccaro and Clyfford Still. Known at the time as "free-form painting", these works of the 1940s and 1950s

were inspired by the natural beauty

of the west coast, as well as by jazz

and Best poetry; from Jul 18 to Sep

■ WASHINGTON

FXHIBITION National Gallery of Art Tel: 1-202-7374215 Masterpieces from the Palazzo

Dorla Pamphili, Rome: exhibition featuring a selection of 12 works, 10 paintings and two sculptures, from the collection of the Doria Pamphil Gallery in Rome. The collection was founded in 1651 by Pope Innocent X Pamphill, whose portrait by Diego Velazquez is the centrepiece of this exhibition. The other artists represented in this exhibition are Alessandro Algardi, Bernini, Caravaggio, Annibale Carracci, Guercino, Claude Lorrain, Lorenzo Lotto, Raphael, Carlo Saraceni and

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10.00 European Money Wheel

18.00 Financial Times Business Tonight

Edward Mortimer

As separate as ever

Social engineering in Northern Ireland has reached its limits. It is time to give power back to the politicians

During those 24 years since Perhaps the only person entitled to derive some bleak satisfaction from last week's events in Northern Ireland is Mr Conor Cruise O'Brien, the former Irish cabinet minister who is now a "UK Unionist" member of the Northern Ireland Forum elected last month to discuss the future of the province. For those events conformed - not exactly, but closely enough - to the dire predictions he made at the time of the IRA ceasefire two

The Protestant majority in the province, rattled by a "peace process" which in their eves means constant British retreat and creeping Irish annexation, has rallied behind an uncouth and menacing reminder of their historic supremacy: the Orange Order marches. And the Republican movement (Sinn Féin-IRA). having used the ceasefire to increase its electoral support, is now exploiting the break-down of public order which it helped engineer to re-legitimise itself as an armed defence force in the eyes of the Catho-

lic minority.
This takes the province back, not just to the situation before the ceasefire, but to something like the late 1960s and early 1970s, when the two communities confronted each other directly in the street. Since then a more organised confrontation between the IRA and the British army, with interventions from loyalist paramilitaries, had allowed ordinary people to dissociate themselves from the "men of violence" on both sides.

Thus what failed last week was not just the peace process, in the sense of official efforts to restore the ceasefire and build a political settlement through all-party talks. More important, and more depressing, was the demon-stration that 24 years of patient effort to remove the causes of resentment, and to cultivate peaceful coexistence and mutual respect between the communities, have not really dented the intractable

March 1972, Northern Ireland has been under "direct rule" from Westminster for all but the five months of the powersharing executive in 1974. Ministers and officials in the Northern Ireland Office have

been able to use public policy, and public spending on a scale not permitted elsewhere in the UK, to conduct a bold experiment in social engineering. Their achievements have been far from negligible, as a report published last year by the Minority Rights Group'

 Inequality of access to public housing, one of the major grievances of the civil rights movement in the 1960s, has been "virtually removed from the public agenda".

 The public sector and most other big employers in North-ern Ireland have made great efforts to raise their proportion of Catholic workers, bringing it close to the Catholic-Protestant ratio in the adult population in jobs monitored by the Fair Employment Commission.

The 1989 Fair Employment Act, which established the Commission, also provides remedies in cases of religious or political discrimination. which have been abundantly and successfully used. While unemployment among male Catholics remains more than twice as high as among male Protestants, it has become

Britain can no longer even maintain order there, because so-called unionists have lost faith in the Union and do not accept its

authority

direct or even indirect dis-

 Catholic schools now get 100 per cent public funding. instead of having to find 15 per cent of capital costs from their own resources. Integrated schools have at last been brought within the public education system (though they still only cater for 2 per cent of the school population). The rising proportion of Catholic students in the province's two universitites has "effectively removed" higher education "from the agenda of minority grievances".

• The government has doled out financial support to cultural, social and sporting associations of almost any kind, provided they can show a cross-community character. Initially it tried as far as possible to play down group identi-Catholics as interchangeable

But since the early 1980s it has shifted the emphasis to the cultivation of pluralism, recognising distinct religious or political identities as worthy of equal respect. Thus there has been financial backing for Irish-language schools, acceptance of Irish street signs in some areas, and increased support for festivals and activities traditionally associated with one or other community.

 Politically, the government has accepted the right of nationalists in Northern Ireland to cultivate links with the Republic; and the two governments have co-operated more and more closely in seeking to manage, and if possible solve, the conflict.

Partly as a result of these policies, consensus has been quietly achieved on many formerly contested issues. Few employers now object to monitoring the religion of their workforce. Everyone now accepts in principle that there should be fair employment, fair access to housing and equal funding for all schools. Hardly anyone now believes that either the IRA or the

much harder to blame that on British army can win a military victory. Even unionist parties grudgingly accept the Dublin government's involvement in negotiations, while most nationalists now accept the impossibility of uniting Ireland without the consent of

the majority in the north. Yet in spite of this, North-ern Ireland is still polarised, perhaps more so than ever. The vast majority ofvoters support parties which confine their appeal to one side of the sectarian divide. Residential segregation has increased, under the pressure of vio-lence, so that "the separation of the two communities ... is more complete than anyone in

1969 could have imagined

The social engineering of the last 24 years has been well intentioned and in many respects admirable. But it has not solved the problem, and probably cannot. In one crucial respect it has made things worse, by taking responsibility away from Northern Ireland's elected leaders, leaving them only the politics of

Last week the unionists demonstrated their power in a way which may have been intended to reassert Ulster's Britishness but actually alienated the British public and undermined the authority of the UK state. The Royal Ulster Constabulary backed down, and the prime minister has endorsed its capitulation to what he himself previously called "mob rule".

Britain lacks the power, or anyway the will, to impose a political solution in Northern Ireland. It can no longer even maintain order there, because so-called unionists have lost faith in the Union and do not accept its authority.

Direct rule has brought about many desirable changes, but it has reached its limits. The time has come for Northern Ireland's elected leaders to be faced with the consequences of their own words and actions.

*379 Brixton Road, London

LETTERS TO THE EDITOR.

Number One Southwark Bridge, London SE1 9HL

We are keep to encourage letters from readers around the world. Letters may be faxed to +14 171-873 5938 (please set fax. in fine), e.mail: letters.editor@ft.com Translation may be available for letters written in the main international languages.

An inadequate defence of Adam Smith

From Prof Jeffrey M. Herbener. Sir, The more 20th century economists study Adam Smith the lower their opinion of him goes. The evidence has become so overwhelming that those, like Dr Bamonn Butler (Letters, July 11), who attempt to defend him are reduced to

slandering his opponents. Dr Butler acknowledges Smith's central error: the labour theory of value, and that it was the basis for Marx's capitalism. But this is only one reason Murray N. Rothbard, in his monumental history of thought (Edward Elgar, 1985).

agreed with Joseph Schumpeter that Smith shunted economics on to the wrong track. In almost every area of economic theory, Smith Smith did not devote the

bulk of his Wealth of Nations to what Dr Butler considers to be major contributions – the "invisible hand" and a critique of trade restraints. Instead. Smith wrote interminably on his worst area: monetary affairs. And far from being a precursor to the modern empirical method, as Dr Butler eserts, Smith's empirical analysis consists of long,

rambling citations of data with no systematic bearing on theoretical questions. Aside from synthesising the work of modern Smith scholars, Prof Rothbard's unique contribution was to show the

fall-back argument that all ploneers make such mistakes as they blaze new trails is also wrong. Many authors who preceded Smith presented a far superior economics; in particular Richard Cantillon's the views of A.R.J. Turgot, that As head of the Adam Smith Institute, Dr Butler is enraged

treatise; that Smith read, and

that anyone should prefer the French and continental tradition over the British. But if he wants to rehabilitate Smith he must demonstrate that modern scholarship is wrong and that Smith was at least as good an economist as Cantillon. For such a daunting task, defaming Professor Rothbard will not suffice.

Jeffrey M. Herbener, associate professor of Washington & Jefferson College

Pennsylvania 15301-4801, US

Relatively unarguable judgment presented Olympics grip speaker would seem to amount

From Mr Simon Buckingham. From Mr Peter Cave. Sir, Hugh Dickinson is Sir, I enjoyed reading Peter Aspden's article "The gigantic Olympics" (July 13/14) on a flight back from Atlanta. It all judgments are relative ("Why the time for rules is was interesting to see in past", July 13/14). Atlanta that the International Olympic Committee has the claim, he should simply ask word "Olympic" copyrighted such that non-sponsors cannot refer to "the Olympic ideal",

"the Olympic family", etc. Instead, such companies exploit the fact that the word Olympic is associated with such nouns and refer to "the spirit of the games", "a fantastic experience". Not that this matters as nearly

Simon Buckingham, 6 Goldwell Drive, Newbury, Berkshire, UK

of the US Olympic team.

everyone seems to be a sponsor

concerned about the claim that whether it, too, is relative. If it is, he may safely ignore it - for its being true just for the is false - absolutely.

to nothing more than that the speaker believes it – and Hugh Dickinson can maintain that the speaker merely has a false belief (absolutely). If the claim is not relative, then we have a contradiction and the claim that all judgments are relative

These issues have not, by the

way, needed to wait for post-modernism to be discovered. Relativist claims and this type of resolution are to be found in Plato's

Peter Cave, 17 The Mount, Hampstead. London NW3 6SZ, UE

Far better than a single Euro-currency

From Mr Ken Gaskin. Sir, It surprises me that the financial experts at Brussels are so parochial and near-sighted as to wish to introduce only a single European currency when there already exists one they could adopt. And it is one which is

backed by the greatest

superpower with the most powerful economy in the world, and is universally recognised to the extent that all the important commodities oil, precious stones, gold etc - are traded in it.

This currency is so powerful that even the suspicion of a hint that its exchequer might

raise interest rates causes a 40 point drop in the Footsie and nearly sends the Nikkei into free fall. Think of the saving in printing costs!

Ken Gaskin, 20 Linwood Terrace, County Down BT20 5DJ, UK

US achieving unprecedented penetration of German economy

From Mr Dieter Schultze-Zeu and Mr James A. Hart.

Sir. Your coverage of Germany is very good but you missed the excellent survey in the July 10 Frankfurter Allgemeine Zeitung, Germany's Top 100 Industrial Corporations for 1995. This 38th annual study reveals the deep penetration of the German economy by American multinational companies unprecedented in today's world. Fourteen US companies are placed on this list, far ahead of second-ranking The

Netherlands with two, (Japan did not figure at all). American corporations have

been doing extremely well throughout the entire life of the survey. By contrast, only two German companies appear in the 100 largest industrials in the US as compiled by Fortune. Daimler Benz, as usual, ranked first in Germany in 1995 with sales of DM103hn. But General Motors, through

its German subsidiary, Adam Opel, ranked 15th with DM25.9bn and Ford, through Ford-Werke, was 16th with - domestic product. That is five

had two subsidiaries on this list while others, including IBM, Exxon, Hewlett-Packard, Coca-Cola and Procter & Gamble, and Motorola had one Ten of these 14 US

DM25bn. Philip Morris actually

sales in 1995 over 1994. Only one reported a loss. Some 2,000 American companies now produce goods and services in Germany worth about \$200bn per year, equal to 10 per cent of German gross

companies reported increased

times the combined goods and services exported by the US to Germany. They have far more direct investment in Germany (\$50bn) than second placed The Netherlands (\$39bn), And the lead was lengthened in 1995 with the acquisition of 138 German companies while the UK was second with 70.

Dieter Schultze-Zeu. James A. Hart, Ackerman & Schultze-Zen. Kanistrasse 13. 10628 Berlin, Germany.

possible has risen in the past year from 138m to 140m. Sir Christopher has promised

With climate change, what we don't know can hurt us

It has been said climate is what we expect; weather is what we get. Weather is capricious and chaotic. By contrast, climate in the 10,000 years since the last Ice Age has been assumed to be quite stable and serene, an assumption that is crumbling in the face of ever more sophisticated measurements. It now appears that the climate in this period has actually been quite volatile, changing Earth in ways that may dwarf the impact of human activity and complicate predicting climate trends. Nevertheless, the human factor in global climate change and the change that we might be headed for damaging social and economic dislocations cannot be ignored. In the second of three reports on global climate change, we look at efforts to achieve an ecological balance.

The evolving science of climate change and the known behavior of greenhouse gases in the atmosphere—their long life and global, cumulative buildup-argue for a careful and comprehensive approach to their control. Unfortunately, policy decisions now being considered in United Nations climate change negotiations could lead to premature, inequitable and ultimately counterproductive measures. At stake are thousands of billions of dollars in technological and industrial changes, potentially disruptive trade wars and an unprecedented transfer of wealth.

A critical factor is timing. The compressed timetable of these negotiations tends to create an unwarranted sense of crisis. A gradual approachone that would not result in an appreciable buildup of gases over the next 100 years -- would allow us to improve our understanding of the potential threat and to develop more efficient technology to deal with it. The U.N. Framework Convention on Climate Change itself recognises the dynamic nature of greenhouse-gas decision-making. It requires periodic review "in light of the best available scientific information on climate change and its impacts, as well as relevant technical, social and economic information."

There is great pressure to assign responsibility for the stabilisation and reduction of emissions, along with the cost, almost entirely to the industrialised world. While the developing world would be spared the initial burden, such selective controls would penalise all nations in the long run.

imposing controls only on the industrialised world would likely cause what economists call "carbon leakage"—the transfer of energy-intensive industries to less-regulated countries, where they would offset the benefits of emission reductions. Beyond this, the cost of mitigation, even for the wealthiest nations, would weaken their purchasing power and lead to a reduction in imports from the developing countries—depriving them of a powerful impetus for growth and prosperity.

The U.N. climate control negotiations rely on an arbitrary classification of countries as either developed or emerging. While much of the world falls short of a decent standard of living-nearly 2 billion people have never seen a light bulb, and half of them rely on wood or other biomass for fuel—the developing world as now defined includes a growing list of commercial powerhouses. Among developed countries, patterns of energy use are so diverse that an equal percentage reduction in emissions by all would be both unfair and uneconomical.

Independent studies—by the Australian Department of Foreign Affairs and Trade as well as the Massachusetts Institute of Technology (MIT)-increasingly point to international cooperation and worldwide implementation of control measures as sensible and cost-effective. Such an approach would include funding and technology for emission controls to flow from developed countries to the rest of the world, in return for credits for their own mitigation measures. A cooperative. international approach, we believe, offers

a win-win for all nations. Tomorrow:...we're all in this together.

Mobil[®]

A small war has broken out in a far-flung outpost of the BBC Raymond Snoddy on the battle over the BBC

the World Service at Bush House in London's Aldwych. The battle will come to a head tomorrow when Mr John Birt, director-general of the BBC, will give evidence to the Commons foreign affairs committee on reorganisation plans for the BBC's English language overseas radio service. The House of Lords is also expected

versy during tomorrow's final parliamentary session on the government's new Broadcasting Bill. On one side of the barricades are what appears to be most of the staff of the World Service and its furmer managing direc-tors. Mr John Tusa, managing director between 1986 and 1992, described the reorganisation as

to get involved in the contro-

"one of the greatest acts of vandalism ever perpetrated against the World Service". On the other are the more isolated figures of Mr Birt and Sir Christopher Bland, the BBC chairman. They argue equally vehemently that the changes will save money and underpin the quality of the World Service which anyway is not like "a statue in the garden that needs messervation".

The restructuring of the World Service is part of a wider reorganisation at the BBC designed to equip the Corporation for "the digital age". Separate directorates for radio and television are being replaced by functional manage-rial units which will straddle

Of these, BBC Broadcasting will be responsible for commissioning virtually all programmes. BBC Production will produce all programmes. And BBC News will supply all news and current affairs.

Radio has been promised equality with television in the new corporate structure. But opponents of the changes are sceptical: they worry that tele-vision will tend to be the dominant medium in setting priorities because of its voracious appetite for money.

However, it is in the World

Service where the most intense controversy has been generated - centroversy which has led to demonstrations outside Bush House and the creation of a Campaign to Save the World

World Service

War of words on the wireless



John Birt (right) and Sir Christopher Bland launching the plan

of the reorganisation.
Opponents of the changes

such as Mr Tusa argue it is

difficult to see how money will

be saved by partial integration with the rest of the BBC. Pro-

grammes made in Bush House

cost 36 per cent less than those

made at Broadcasting House.

there are more important sub-

jective and cultural issues at

stake. They believe the quality

of the World Service and its

international outlook are a

product of its own 24-hour

newsroom staffed by journal-

ists who understand the subtle-

ties of broadcasting to multi-

It is also important, they argue, that World Service staff

are physically in the same

building as the staff of the 43

services broadcasting in lan-

guages other than English so

there can be cross-fertilisation

of ideas. Under the restructur-

ing plan, the 42 "vernacular"

services will remain a separate

organisation within the BBC.

most successful international

broadcaster are rising. The

number listening to the World Service each week in

The row comes at a time

cultural audiences.

But the opponents also say

by government grant, would exactly what is at stake or retain the right to commission what might be lost as a result programmes. But the programmes would be made by BBC News and BBC Production under contract - rather than at Bush House as now.

The opposition to the reorganisation has been strengthened by the failure to consult senior managers about them. Mr Sam Younger, managing director of the World Service. was informed by Mr Birt the day before the announcement

"You cannot manage by plebiscite," Sir Christopher explained this week.

At a meeting of the Campaign to Save World Service earlier this month Baroness James - the novelist P.D. James and a former governor of the BBC - said she did not know whether to be more appalled by the decision itself or by the way in which it was arrived at.

"Arrogance, extraordinary arrogance. I would like to say both to John Birt and to the new chairman that they do notown the BBC," she said. "The. World Service is not a private when overall audiences for company. It belongs to this what is already the world's country and the people of this country and the people of the

It is easier, however, to Under the new plan the savour the emotion and the those parts of the world World Service, which is funded rhetoric than to identify where measurements are

that the authority of the World Service will not be reduced by the changes. He told the con-ference of the Radio Academy, the association for the industry's professionals which is now meeting in Birmingham, that its programmes would remain distinct from those in other areas of the BBC. A dedicated team in RRO

News will be responsible for the news programmes made for the World Service. And all those involved in World Service programmes are likely to stay in Bush House until the

"To those who argue that "if it ain't broke don't fix it', I say: the World Service may not be 'broke' now but we want to ensure that it doesn't become broke' - in any sense of the word - in future," Sir Christo-

pher added. it was an allusion to the fact that the World Service budget is under pressure from the government. This year the current. budget is £135.6m, with an additional £19.7m for capital spending. But the service faces reductions of £5m in capital for this year, with further cuts of £4m in capital and £4m in operating costs proposed for

Mr Birt emphasised this week that where new ideas had been introduced into the BBC Buch as the creation of an internal market for BBC producers - they have been " conspiciously and demonstrably successful" at squeezing more out of budgets. But the World Service is already so admired and demonstrably successful that he will face an uphill struggle to persuade people of the merits of the reorganisa-

Regional programmes for the UK and the foreign language output of the World Service are both already excluded from the wider BBG managerial restructuring. Opponents of the changes argue that one other small exception could be made for this jewel of British broadcasting.

Those opponents set much store by how the Commons foreign affairs committee assesses the conflicting arguments. The changes could be stopped in their tracks if the Foreign and Commonwealth Office decides that is not how it wants its

market

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Number One Southwark Bridge, London SE1 9HL

Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700 Wednesday July 17 1996

A change of

market mood

coated America's technology

high-tech issues over the past few weeks has taken the Nasdaq index

- in which such companies are

Not a moment too soon, those in

less glamorous businesses might feel. But stock markets deliver the

roughest of justice: every time an

electronics business announces

poor sales, companies thousands of miles from Silicon Valley suffer

too. True, the drop in the broader-based US indices has been only half as severs as in the Nasdaq

index. But even industrial compa-nies like Chrysler, which reported sparkling results last week, have seen their shares affected. And

European stock markets, largely insulated from the equity fever

which pushed US valuations so

There are two striking aspects

to the recent market weakness.

The first is the way in which tem-

their initial public offerings indefi-

high, have suffered too.

heavily represented - down by

nearly 18 per cent

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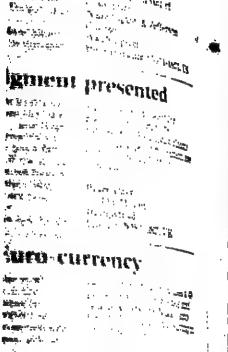
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porary setbacks have fed on themselves, creating a steady downtrend. Earlier this year, each brief decline in US equities was a signal for a fresh wave of buying by investors in search of bargains. Service Conference That mood has gone. Mutual $\mathcal{L}^{(n,p)}_{\mu}(w_{\alpha}) = \mathcal{L}_{(n,p)} = \frac{1}{2 \pi e^{2 \pi \frac{n}{2} \pi e^{2} \pi e^{2 \pi \frac{n}{2} \pi e^{2 \pi \frac{n}{2} \pi e^{2} \pi e^$ funds which powered the last stages of the rally have run short of cash, and may soon face net redemptions. The youthful entreof German economy preneurs queueing up to become paper millionaires have found

4- 1 $e^{i + i \sigma \mathfrak{I}}$

The magical sheen which once coated America's technology reinforcing spiral of optimism has stocks has faded. Valuations which defied gravity are now closer to terra firms. The slide in been broken, it is hard to

The second theme is the way in which the familiar linkage between the equity and bond markets has weakened in recent weeks. Bond yields have dropped back from the levels which made equities appear shrickingly over-extended - but stocks have none the less fallen. European investors had congratulated themselves on the way in which their local bond markets had decoupled themselves from the weaknesses in US bonds earlier this year. Now, with US treasuries healthier, it is the turn of European hond markets particularly the high-yielding "Emu convergence plays" of southern Europe – to suffer. Just as galling, European equity markets have followed their US counterparts down.

The markets were expecting Mr Alan Greenspan, the Federal Reserve chairman, to offer hints of interest-rate rises to Congress in his testimony due tomorrow. With equities running scared, he may equivocate even more than usual. The short-term outlook for US markets hangs on the interpretation of his comments. Too soft a line on inflation might add bond market weakness to the equity market declina. Too pessimistic a view of growth might trigger a fresh bout of stock-market selling. Until the US markets recover their nerve, all news is had news - for European equities as well as their

Jobs dilemmas

A significant proportion of the employable population of the advanced industrial countries suffer from low earnings, long spells of unemployment or both. This much is widely understood. What is both valuable and disturbing about this year's Employment Outlook from the Org Economic Co-operation and Development is that it demonstrates the complexity of the problem and the absence of clear solutions.

On inequality of earnings, for example, the OECD has a surprising finding. While sarnings inequality rose in many countries over the 1980s, only the UK and IIS have continued to experience a rapid rise in inequality during the first half of the 1990s. In Australia, New Zealand and the US, rising inequality has meant stagnation, or even falls in the real wages of men in the bottom half of the

earnings distribution. Some have argued that rising inequality is the price of low unemployment. Yet the OECD comes to the surprising conclusion that "there is no significant tendency for employment to be lower and unemployment higher for inexperienced or low-skilled workers in countries where there are relatively few low-paid jobs available." Since it also finds that upward earnings mobility is no greater in countries with high inequality than in those with low inequality, it would seem forced to the conclusion that rising inequallabour market whatsoever. Much further work on this is needed. But even what the OECD says should be enough to emage the governments of several OECD countries, not least the UK's. The report also focuses atten-

tion on one important group of young. Over the 1980s and 1990s employment rates of young men have declined across a large number of countries. The OECD argues that an important explanation for differences in youth employment is overall labour market conditions: the young are the last to be hired and the first to be fired. The logic of the OECD's position would seem to be a call for more rapid

growth of aggregate demand.

Equally question-raising is the discussion of the link between social welfare and work. Unemployment and poverty traps neces earily arise whenever benefits are means tested. If those benefits are to be affordable for the excheque and yet high enough to sustain a reasonable standard of living, par ticularly for children, high rates of withdrawal will inevitably be imposed. Incentives will then be affected, either to work or to increase earnings, depending on the nature of the benefit.

The market for labour detersociety. That it is not working satisfactorily in most OECD members is worrying. That the OECD provides many more questions than ity brings no benefits to the answers is more so.

A capital city once again: the new German parliament building Berlin searches for a role

Re-united Germany's new capital is finding that it must pay a price for becoming a more normal city, reports Judy Dempsey

box", a square-shaped steel building which stands where the Wall once cut the city in two, see at first hand the paradox which grips united Germany's capital.

Videos and plans show the vast scale of the construction under way to rebuild the centre of the city, with some DM40bn (\$26bn) of investment committed on projects that should be completed by the turn of the century. Yet Berliners seem upable to find it in themselves to be optimistic about the impact of all this work on their city.

"It's hard to believe this is the Mr Jürgen Kessler, a 61-year-old baker who had taken time off to visit the Infobox on Potsdamerplatz. When you see it on the videos, it is all very exciting. But it is really hard to imagine what the city will look like and feel like when all the construction is over."

If the physical Berlin is hard to visualise, its economic future is still more uncertain. The lavish physical reconstruction cannot guarantee prosperity in the years ahead. Even the thousands of politicians and civil servants due to arrive by the end of the century will not provide the capital with an economic raison d'être. Unsure of its future. Berlin is in a strikingly pessimistic mood.

Much has already been achieved since reunification in 1990 to undo the damage caused by the years of division and neglect. The city's electricity, gas, transport and water ies have invested more than DM26bn in renewing and re-unifying the separate energy grids, the water mains, the telecommunication lines and the underground and suburban railway network.

Some of these links were broken after 1949 when the east German communists took power. Others

Wall was built. Even the city's postal codes had changed, confirm-ing the existence of two separate entities. Now, much of the work to recreate a a united infrastructure

Making Berlin a more normal city has its own costs, however. Until German reunification in 1990, west Berlin was pampered by the federal government. Over 60 per cent of local public expenditure had been financed by Bonn, The aim was to keep people in the city, encourage companies to settle there and maintain a shining canitalist showcase in the heart of east Germany.

could escape conscription by moving to west Berlin. Companies and residents paid less tax than in the rest of the federal republic. The public sector flourished: there are 89 civil servants for every 1,000 inhabitants, the highest proportion in Germany. But since unification, the privileges have gradually disap-

"We are now picking up the bill for a united Germany and a united Berlin," says Ms Marta Henning, a young hairdresser. "Over 50 per cent of my income goes on taxes and other measures. I would not mind it so much if the politicians concentrate on selling Berlin as a great city instead of wasting my money on setting up new commi sions to decide what buildings to

tear down or keep up."

The city is in the throes of a financial crisis. Ms Annette Fugmann-Heesing, the Social Democratic senator responsible for finance, says she has to find savings of DM32bn between now and 1999 to curb a budget deficit running at an annual DM9bn.

She plans to cut the number of local civil servants by 22,000 from the current 175,000. Subsidies to the

OBSERVER

reduced by DM26m a year. The number of university places will be cut from 115,000 to 85,000. Investment projects, even public housing, will be postponed. "We have no choice," says Ms Fugmam-Heesing. "We lived on hand-outs until 1990. We had sufficient warnings that all the incentives and privileges would end. But the city authorities just

kept spending." The proposed cuts have already led to demonstrations by students and strikes by public transport workers. But even if Ms Fugmann-Heesing manages to implement her cost-cutting programme, she must unemployment - already 14.5 per

cent of the labour force. Over 75 per cent of east Berlin's industry was unable to survive the switch to a market economy after 1990. In west Berlin, industries fled the city as the tax incentives ended. But replacing this industry will not be easy. The city has yet to find a distinct economic role.

or five decades, both halves of Berlin lay outaide the normal framework of economic development. "Both sides of the divide were living in an artificial state. Neither could develop economically," says Ms Fugmenn-

"West Berlin could never carve out a niche compared to Düsseldori which is the centre of advertising, Munich which dominates electronles or Frankfurt which is the financial centre. These cities have had a 50-year head-start on Berlin," she

One possibility is that simply being the country's new capital may create the dynamism the city has so far lacked. Mr Egbert Steinke of Berlin's Chamber of Commerce

thestres and opera houses will be argues the arrival of more than 14,000 civil servants from Bonn will give the city an economic identity. The media, the lobbies and of course culture will form the basis of the city's development as the Umzug - the government move - progresses," he says.

Others believe the Umzug will be of only limited value. "It is not enough that officials and civil ser-vants fill this city," says Ms Ulla Luther, head of the planning and architectural department of the Berlin Senate. "We need a strong business class to push it forward." But such a business class does

not yet exist. In contrast to the Munich, or Düsseldorf, Berlin has no large wealthy middle class. The Nazi persecution of the Jews under mined the city's flourishing and largely Jewish industrial, cultural and sconomic middle classes. The communists destroyed what remained of the bourgeoisle in east Berlin after their takeover in 1949. "I really think this is the nub of

the problem when we talk about Berlin trying to become normal and finding a role in the united Ger-many," says Ms Luther. "The city has no indigenous economic class The Jews were killed during the war. The rich Prossian industrialists or landowners fled to west Germany soon after 1945. This city lost its role as a major textile, industrial and banking community after the war. This is the weakness of the city. It does not produce things. It is arching for a role."

Property developers, who rushed to Berlin amid the euphoria that followed the fall of the wall, are now aware of the city's weaknes In the belief that the government would move by 1995 - the original date set by the Bundestag - they rapidly developed new sites in the Mitte, the heart of the city before

the second world war. They believed the excitement inspired by the Umzug would bring retailers and businesses

They have been disappointed. Five years on, over 60 per cent of retailing space in the Mitte remains unlet and the office vacancy rate is set to rise from 5 per cent this year to about 10 per cent over the next 12 months. Office rentals have fallen from DM75 a southe metre to under DM40 in the Mitte.

"We don't have any illusions any more," says one property developer.
"Not even illusions about the local politicians who seem uninterested in promoting the city as a place for reserve of educated people or the city for doing business with eastern Europe - after all the Polish border is only 80 kilometres away."

Such pessimism perhaps underes timates the city's resilience, just as the 1990 euphoria underestimated the obstacles that lay ahead. Berlin's role as one of the world's great cities will be vividly highlighted as the rebuilding of the centre is completed. But it is hard to argue with the property developer's conclusion: "It is as if the the years of abnormality robbed Berlin of its vision and energy. We have to come to terms with that. We also have to accept that the city is no longer grow as a real metropolis. Perhaps that is what normality means."

CORRECTION

Banque Indosuez

Crédit Agricole is acquiring control of Banque Indosuez from Group Suez, not from the Paribas group as stated in yesterday's article on French banks.

Regulating BAA

As far as it goes, the latest Monopolies and Mergers Commission report on regulation of London's airports is a workmanlike document. But it does not go far enough. The report focuses on ways of improving the operation of the existing regulatory system, when a searching inquiry is needed into the fundamental

premises on which it is based.

The MMC is not entirely to blame. It is constrained from challenging the monopoly of BAA, the airports operator, around which the system is built, unless it is found conclusively to have operated against the public interest.

The MMC arguably used too narrow a definition of the public interest. But the basic problem lies with the 1986 Airports Act, under which BAA was privatised. Unlike the Fair Trading Act and legislation governing other privatised monopolies, the law does not explicitly require regulation to promote competition. Yet that goal is both desirable and feasible. As things stand, the Civil Avia tion Authority, the regulator, is required to set charges at levels which safeguard the interests of users and promote efficiency, while encouraging new invest-

ment. Balancing these priorities

calls for fine guesswork. Not only

do calculations of BAA's rate of

return vary widely, depending on the valuation formulae used, but

big assumptions have to be made

about its future business perfor-

mance.

The regulator also has limited tools for assessing the costs and benefits of new investment, obliging it to rely heavily on BAA's judgments. Yet the system gives the company, as a monopoly operator, a strong incentive to defer the expansion of facilities so as to maximise revenues from existing capacity. This is particularly true at Heathrow, where BAA operates in a seller's market. Equally, BAA's stock market rating, exceptionally high for a monopoly, encourages it to set high hurdle rates for new investments.

An injection of competition would make the current system less opaque, more responsive and more likely to promote efficiency. A first step would be to hold an open tender for the construction and operation of Heathrow's planned Terminal 5.

The Airports Act should be amended, to make the regulator explicitly responsible for promoting competition. Ministers should also seriously consider whether that goal can best be achieved by breaking up BAA, as recommended recently by the Commons transport committee.

These measures would not make regulation unnecessary. Indeed stricter disciplines would be required to guard against abuse of dominant positions, to the detriment of competitors and customers. But at least regulators would then be working with the market, rather than groping in an ecoIt's entirely appropriate that Wacko Jacko, as the singer is popularly known, should be its

Jackson gets to Bop ■ Neison Mandels in but be tracking facilitiess selling South Africa to the world's industrialists, but he is scoring heavily with the

showld community

Showld community

Thrif there was frugene Chaplin,
secret the late great Charlie. Last

yield be announced plans to build

the color township complex in

Statistical a cost of close to \$50m. Medicance actor Omer Sharif.

Semilian already been filtring

Transportable with Winnie

Medical the president's former wife, in her capacity as head of the ANC's Women's League. Rarrier this month the company which bears his name said it was

planning to spend a similar sum on a hotel and casino development on the outskirts of Soweto. But all this may pale into minicance when pop singer Michael Jackson arrives in South Africa tomorrow, Speculation is rife that he will appear at Sun City, entertainment and casino complex in the former homeland of ... Bophuthatawana, to reveal plans

for a junkti-million dollar theme park. Shadows have been lengthening over Sun City, created by Sol Kerzner in the 1980s, since the government amounced it was going to grant many more casino licences throughout the country.

saviour.

Very very daft ■ India, perhaps the sole country to have not merely Very Important Persons but also "Very Very important Persons" is grappling with a tough security conuncrum according to the venerable Times

of india newspaper. What if a VVIP is sent to jail? This weighty question has beenprompted by the possibility of former prime minister Narasimba Rao being remanded in custody, after his recent summons in a \$100,000 fraud case; The Times reports that Delhi's Tihar jail is preparing a cell - with "footproof security" - just in case. But would he take with him his "Z-plus" security, his allocation of five bereted and heavily armed "black cat" commandos? If so, where would they stand? Tough

anestions. We have not come across any such situation so far," said Shyamal Datta, director of the special protection group, the commandos' boss. "Jail itself is a secure place," pointed out one lawyer, thoughtfully. But, countered another, as hundreds of hardened criminals are inside the jail, officials have to take extra precautions for Mr Rac's security

With a number of other Indian

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corruption trials over the next few months, this might become a growing problem. But another senior lawyer offers a reassuring thought in a jail, "every prisoner is a VIP as far as his security is

VIPs and VVIPs facing possible

Wunder to behold ■ Lars Windhorst, Helmut Kohl's favourite young entrepreneur, is in the clear.

After a week of paper-sifting, the state prosecutor's office in Rielefeld amounced yesterday that it had terminated its investigation into alleged irregularities in the business empire of the 19-year-old German Wunderkind Without finding evidence of wrongdoing.

Not that the Bielefeid presecutors will be sitting back and sunning themselves. They are now investigating the former Windhorst employee who levelled the charges against young Lars on suspicion that the erstwhile manager has betrayed company secrets and made false accusations. Wunderkinder, particularly those with the ear of chancellors, aren't going to be best friends with everybody.

Ouick marching

■ The grass may be greener on the other side, but for those Chinese troops soon to be dispatched to

Hong Kong it will in theory be a case of look but don't touch. Major General Liu Zhenwu, the head of the People's Liberation Army garrison to be stationed in the territory after next year's handover, made his first inspection yesterday. He's under strict orders to keep his men to the straight and narrow - no bars, no betting and no leaving the barracks without

Not that the PLA's budget stretches to the pricey night life of Suste Wong's Wanchal district. Maj-Gen Liu himself is reported to be on a salary of Yn1,200 per month, less than the minimum wage for domestic servants.

So Hong Kong's har girls may be disappointed. Unless, of course, as locals fear, the soldiers try to fatten their wallets by doing a little business on the side. PLA troops would make very persuasive

Pulp friction

■ The Japanese company Meiko Shokai is planning to market from late August a super-large-capacity document shredder, able to chew up and spit out a ton of paperwork every hour. It will also nicely mince cardboard containers, assorted packages and parcels of all shapes and sizes.

There is apparently no mention of a name for this brute, though it just has to be called something like Forrest Dump.

Financial Times

50 years ago Revaluation of the Krona Mr. Myrdal, the Swedish

Minister for Trade, declared in Stockholm yesterday that the revaluation of the krona was necessary for Sweden's economic being drawn into an international inflation process The President of the Swedish Export Association, Mr. R. Von Heidenstam, declared that the revaluation would bring important disadvantages for Sweden's export industry. Timber export companies are somewhat distressed over the move. Most newspapers have greeted the revaluation without much enthusiasm, but point out that it was a necessary step after the preice rises in America. Nickel Find in Tanganyika

Dar-Es-Salaam: Large deposits of low-grade nickel have been found at Sibwesa in the Western Province of Tanganyika, The situation of the find is about 30 miles from Mpanda, where vast quantities of lead, gold and silver are known to exist. Such importance is attached to the discovery that Mr. C. Mason Farnum, of Falconbridge Nickel Mines, Ontario, is expected to arrive in Sibwesa in the near future for consultations on the spot. The Department of Lands and Mines confirms the presence

of this low-grade nickel.

FINANCIAL TIMES

Wednesday July 17 1996



MEERFRAN

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A Division of Sonior Engineering Group pla

IMF hails 'victory' for Russia's inflation fight

The International Monetary Fund yesterday declared an unexpected victory for an ambitious Russian anti-inflation programme which was assisted by a \$10bn IMF loan

policies were also applauded by Mr Al Gore, the US vice-president, who met President Boris Yeltsin yesterday in a sapatorium after a planned meeting on Monday had to be rescheduled. Observers at the meeting said

Mr Yeltsin appeared to be in poor health, walking haltingly and speaking slowly. Concerns about the president have overshadowed equity prices have fallen more than 25 per cent since his reelection earlier this month.

There has been concern among western and Russian economists that spending by the government Yeltsin canvassed the nation for votes, could undermine budget forecasts and push the inflation

But Mr Stanley Fischer, the

after November 1 this year could

Had Mr Clinton "waived" Title

III, then no liability would have

been established in US law.

Under the law, "traffickers" would be liable for the market

value of their expropriated prop-

erty, plus treble damages if they

do not end their investment once

The decision angered Congressional Republicans. "This is a

capitulation to Castro and his

European business partners who are financing his regime," said

Mr Marc Thiessen, spokesman for Senator Jesse Helms, the princi-pal proponent of the law.

Mr Bob Dole, the presumed Republican presidential nominee,

said that if he were elected he would remove all doubts about

the right of US citizens to sue

foreign companies for making profits under the Castro regime.

\$300bn. Ti said. The group's

results were also adversely

affected by a decline in royalty

income from patent licences and

increased costs as it began pro-

duction of a new generation of

products at its plant in Avezzano.

Revenues increased in all TI

busipesses except semiconduc-

tors, the company said. These

include defence systems and elec-

tronics, software and computers.

however, down substantially.

signal processor chips

Semiconductor results were,

The company plans to increas

its focus on the more profitable

and growing market for digital

TI profits

Continued from Page 1

advised of a pending lawsuit.

Continued from Page 1

not be "extinguished".

US officials accompanying Mr

tested election for the Russian presidency during which inflation would steadily come down and the exchange rate remain stable they would have said you

Mr Fischer said that, contrary to the assertions of many domes-tic and foreign observers, Russia had "come very close" to meeting the tough economic targets agreed with the IMF earlier this year. He said that Russia had not exceeded cellings on the adjusted budget deficit and that any overstepping of monetary targets was "slight".

Mr Fischer said Russia's biggest challenges were structural notably the need to boost low levels of revenue collection.

euro payments link

to cut trading risks

Shaky Yeltsin, Page 2

summer. But the Swiss approach

appears likely to be coolly received in the light of an

aiready furious debate on Target

between European Union mem-bers such as Germany and

France, which are likely to

join monetary union and those, such as the UK and Denmark,

which are not.

Although EU countries which do not join Emu will have a right to link to Target, an argument is under way over whether their access to the system should be on

the same terms as Emu members.

even a member of the EU, access to Target seems likely to raise

even greater questions.

one continental official.

For Switzerland, which is not

"We have quite a lot to do

already if we are to get Target

going. Why complicate matters

by adding another partner?" said

Swiss and European officials

both say that there is no great

technical difficulty about con-

structing a link between Target

and Switzerland's SIC electronic

But the EMI would have to

agree to the Swiss central bank operating suro-denominated

In addition, the Swiss National

Bank would be reluctant to operate the system if it were unable

in emergencies to lend money to participant banks through a

chanism such as its Lombard

Without such a facility, a

bunching of large payments could turn into a liquidity crisis.

FT WEATHER GUIDE

ecounts for SIC participants,

in crisis talks as shares tumble

turbulent financial markets.

The price fall meant that the benchmark index has dropped 20 per cent since Mr Netanyahu took office in late May, Much of this decline has been caused by investors deserting investment

draw from provident funds, 15-year instruments that keep a high portion of their holdings in equities, and switched to high-yield bonds and short-term savings plans. Bank HaPoalim

Apart from interest rates, mar-

largest labour organisation, was planning a sirike joday in protest at spending cuts of Shk4.9bn (\$1.5bn) proposed by Mr Netanyahu's financial team, About 400,000 workers are expected to strike in Israel's airlines, bus

fended its interest rate policy. which has pushed official rates to 17 per cent. The central bank has pursued a tough m policy to try to keep inflation under control. The inflation rate appears headed towards an annual figure of anore than 14 per cent for 1996, though the government's target is between 6

funds, which have been under-mined by concerns about high interest rates,

finance ministry offered to buy government bonds, in the hope of stabilising interest rates and halting the flight from invest-

Netanyahu held emergency meetings with Mr Dan Meridor, Frenkel, Bank of Israel governor. The central bank said its plan to buy government bonds would bolster bond prices hit by

tion is basically in reach." Although Mr Fischer insisted Russian government's tough that the credit for this achieve-ment should go entirely to the financial stabilisation policies had been a success. "What happened here was little short of miraculous," Mr Fischer said. "If you had said to anybody Russian government, he admitted that Russia's success this year granted in April. The government's economic was a vindication for the IMF. The fund, which had been fiercely criticised by some observers for not giving Russia enough support in the early that there would be a hotly con-1990s, has come under fire from others this spring for being too generous with Moscow.

Although Mr Fischer said he believed the Russian economy was "close to the bottom" and would now begin to follow the upward trajectory of more advanced post-communist economies in countries such as Poland and the Czech Republic, he cautioned that backsliding would always remain a pos-

The notion that Russia is being treated leniently is not right, fundamentally. Despite the popular perception, they have come very close to meeting targets," said Mr Fischer, "The

Anti-Cuba act | Switzerland seeks

By George Graham.

Switzerland is to press for a link

between its national payments system and the planned Target

system through which the Euro-

pean central bank will handle

payments in euros after the intro-

duction of the single European

currency.
The Swiss National Bank believes an electronic link between the two payments

systems could greatly reduce the risks involved in trading between

By allowing instantaneous set-tlement of trades in the two cur-rencies, such a link could elimi-

This refers to the 1974 collapse

of Germany's Bankhaus Herstatt

after it had received payment for

one side of its foreign exchange deals but before it had paid out

"It would definitely be our pref

erence as a central bank to have

a payment system structure by

which Herstatt risks in trading

euros against Swiss francs could

be avoided," Dr Bruno Gehrig, a

Swiss National Bank board mem-

Target is due to start with the first phase of monetary union, at

the beginning of 1999, and is

planned to handle most high

value payments in surce between

Talks between the Swiss can-

tral bank and the European Mon-

etary institute on a possible link

are expected to take place this

banks across Europe

the Swiss franc and the euro.

nate so-called Herstatt risk.

on its side of the bargain.

Netanyahu time , , and financial stabilisa-

Israeli shares tumbled by almost 4.5 per cent yesterday despite an emergency meeting called by Mr Benjamin Netanyahu, prime minister, with central bank and finance ministry officials in an attempt to stabilise the country's turbulent financial markets. propulent financial markets.

ment funds, But the equity mar-ket continued its slide – the Mishtsnim fell 4.48 per cent in

the public rush to radeem the

investment funds, Finance ministry officials

Investors continued to with

officials estimate that of the \$154bn in public financial assets in Israel, about 40 per cent is held in provident funds. The central bank and the

Apart from interest rates, mar-ket analysis pointed to fears about the future of Middle East pace, given the tougher line of the new rightwing government, and concerns that Mr Netan-yahn's plans for budgetary restraint would be more difficult to implement than he expected to implement than he expected. The Histradrut, the country's

company, television station, and even the alling Tel Aviv stock exchange itself.
Seeking to calm investors, Mr

pointed to the need for broad-reforms of the country's capit

the Bank of Israel

THE LEX COLUMN

Bear baiting

Across the globe, stock market beam are leading out of the closet, gleefully predicting the beginning of the end for world equity markets. And there is much to encourage them. Investors in the US have been caught in a painful pincer movement between rising bond yields, reflecting growing inflationary

pincer movement between rising bond yields, reflecting growing inflationary feers, and new disappointments over corporate earnings. Consensus forecasts for carnings growth in 1996 have dropped from 14 per cent at the start of the year to 9 per cent. And the final blow has been a sharp drop last month in mutual fund sales; it was this flood of capital which had provided immunity from these other concerns.

Nonetheless, investors might rightly question what has changed since last month. Expectations of a rise in US interest rates are hardly new. Meanwhile, the perception of singgish corporate earnings is being entrapolated from a very narrow source. The technology sector has been a virtual monopoly supplier of bad news. But it is smaller than the financial sector, which has so far delivered a steriling set of profit figures. And while there has been some evidence of margin erosion elsewhere, this is hardly enough to justify the recent collapse in share prices. This argues against panic, but short-term direction will depend on whether mutual fund investors have seen enough and sell out.

In theory, the knock-on effect in Europe should not be dramatic. Continental European economies are scarcely out of recession, offering the

nental European economies are scarcely out of recession, offering the prospect of low interest rates and accelerating earnings growth. The UK looks more vulnerable, given concerns over loose monetary policy and rising consumer spending. But, in practice, if the US market plunges, the rest will be dragged down in its wake.

European cars

is Europe's car market about to go careering off the road again? After strong growth in the first five months of this year, sales dropped 9 per cent in June. Admittedly, more than half of that was due to a \$2 per cent fall in France, where June 1995 sales had been artificially inflated by tax breaks. But there is no doubt that aluggish economic growth and tax increases on the continent are catching up with the market, Of Europe's five big countries only the UK, where consumers are feeling perkier, managed an increase in registrations last month. Analysis now expect growth for Europe to be no

more than 2-3 per cent for 1998. This is bad news for an industry where profitability is under constant pressure: as a whole Europe's car

FT-SE Eurotrack 200: Lendon & New York

manufacturers will produce an operating manufacturers will produce an operating manufacturer of individual 2 per cant in 1996, a year which can hardly be described as recognizery. Renault and Paugeot of France, which are too dependent on their home market, will be light to make it into the black this be lucky to make it into the black this year. Even Plat, which along with Volkswagen is winning market share, makes most of its profits in Brazil.

The main problem is overcapacity, of up to 35 per cant according to some estimates. During the past decade, carmakers have increased productivity, built new factories in eastern Europe and seen a dramatic increase in imports from Korea and Japan. Yet demand has remained static at around lam cars a year, in the long term, such tiny margins are not sustainable given the constant need for heavy investment in new models, Carmakers will have to find big cost savings or face consolidation.

There was much ritual hand-wringing at BAA yesterday, following the announcement of new price control proposals by its regulator. That is only to be expected: during the consultation period the airports group has every incentive to stress how tough a regime it faces, But the City, which pushed BAA's shares up 3 per cent in a falling market, quickly spotted that the company is being treated

While other regulated utilities have to make do with real rates of return of 6-7 per cent, BAA is being allowed a projected return of 9.6 per cent in the first year of the proposed new cap.

True, the regulator projects this will fall to 7.5 per cent by 2002. But given that the projections take no account of BAA's scope for improving productivity, it would not be surprising if returns exceeded even that relatively

generous level.

BAA has secured such favourable treatment mainly because it says it needs extra profits now to fund the development of a fifth terminal at Heathrow. Such a curious argument would not pass muster in a competiwould not pass muster in a competi-tive market. Say a company with four shopping centres wanted to build a fifth; the idea that it should put up rents in all its centres even ones the new one opened - let alone years in new one opened - let alone years in advance - would be laughed out of court. The company would expect to recoup its investment out of rents from the new centre's tenants. Similarly, one might expect BAA to recoup the £1.6bn (£2.5bn) needed to build Terminal 5 from the rents and charges it will levy once it opens. Still, so long as its regulator think otherwise shareholders will not complain.

UK takeovers.

With only days to go, the bid is on a knife-edge, shareholders seem evenly split and the directors of the target company are chewing their fingernalls. Then along comes their company's financial adviser and buys a church of their shared in the chunk of their shares in the market, sinks the bid, saves the company and creates an extremely grateful client in

the process.

Something very like this happened yesterday. Goldsborough Healthcare, a small nursing homes operator survived a takeover attempt by larger rival Westminster Health Care. Its victory can be attributed, at least in part, to the fact that SBC Warburg, Golds. borough's merchant bank, snapped up 4.1 per cent of Goldsborough's shares in the market.

None of this contravenes Takeover Panel rules. Indeed, an adviser can buy up to 15 per cent of its client's shares at any price, as long as it bears the full economic risks of the purchase and promptly discloses what it has done. Nor is this the first time the technique has been used. Devenish's advisers did much the same when the pubs group narrowly escaped the attention of Boddingtons three years.

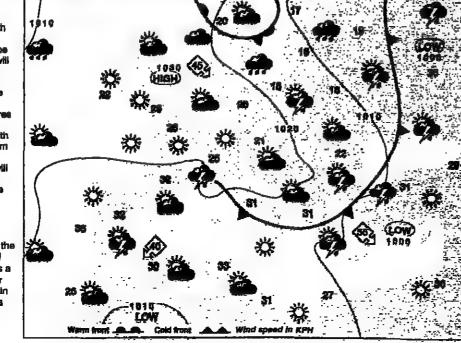
Nevertheless, this is a technique which seems more designed to frustrate hostile hids and preserve managements' jobs than to protect share-holders. It leaves a had taste. Even if the bank loses money on the stake it buys - SBC Warburg is already sitting on a loss on its Goldsborough shares -its client will live to pay fees another day. The panel should han the prac-

Europe today

High pressure over western parts of the North Sea will result in dry and calm conditions throughout the British Isles. Most areas will be sunny, although the east coast of Scotland will have patchy cloud. Temperatures will range from 18C in Scotland to 26C in southern England. The Benefux and Germany will have sunny spells and patchy cloud with temperatures between 20C-22C. Temperatures in northern France will reach 28C, while southern France will climb as high as 32C with thunderstorms likely. Spain will continue warm but will be cloudy with the possibility of thunderstorms in the south. Sunny periods will prevail in Italy where afternoon temperatures will be around 31C. The Alps will be fair while showers are likely in eastern Europe.

Five-day forecast

Rain will spread over the British Isles later in the week and the high pressure system will head towards Poland and the northern Balkans. As a result, temperatures will increase to 25C. Fair conditions will prevail in most of France, Spain and itely, though occasional thunder showers



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eun fair fair cloudy eun sun eun We can't change the weather. But we can

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Nippon Yusen Kaisha, owners of one of the world's largest merchant fleets, are determined that no oil will leak from their ships. That's why NYK's giant tanker "Tohzan" is equipped with Airguard, a revolutionary and-pollution propeller shaft sealing system supplied by Japan Marine Technologies, part of John Crane Marine International,

The patented Airguard® system creates a barrier of air which isolates the lubricating oil in the tanker's stern tubes from the sea water - oil ean't leak out and sea water can't infiltrate and damage the bearings. With Airguard® now being fitted to twenty-three of their huge vessels, NYK is saying "Sayonara" to pollution problems.

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FINANCIAL TIMES

COMPANIES & MARKETS

Wednesday July 17 1996 OTHE FINANCIAL TIMES LIMITED 1996

"Remind yourself daily that a cheerful disposition invites success."

IN BRIEF

ING Barings ends poaching lawsuit

The most bitter dispute in recent years about poaching in investment banking ended when ING Barings said it had settled the lawsuit it launched last month against rival Deutsche Morgan Grenfell over the peaching of 72 of its Latin American equi-

replacing Continental, the tyre group, the German bourse said. Metallgesellschaft, the metals group, will also leave the index later in the year to make room for Deutsche Telekom, which is expected to

New World Communications, the US television sta-tion is in the closing stages of talks to take over King World, a leading TV production and pro-gramme syndication company, in an all-share deal reported to be worth almost \$1.5bn. Page 14

Spanish banks join Endese in telecoms bid Two hig Spanish domestic financial groups, Banco-Santander and Banco Central Hispano (BCH), have joined with Endesa, the state-controlled electricity generator, to form the core of a consortium which looks set to run Spain's second telephone operator.

Nestle, the world's biggest food group, increased its sales by 5.8 per cent to SFr28.4bn (\$22.6bn) in the first half of 1996 and expects its full-year sales to rise more than 6 per cent to more than SFr60bn.

Ahold raises Fi 3bn in international issue An international share issue by Ahold, the Netherlands' leading supermarkets group, survived the tumble in world equity markets to raise Fi 3.06bn (\$1.79bn). Excluding privatisations, the

Wheelook meets forecasts with 6.6% rise Wheelock and Company, the Hong Kong conglomer ate, reported a 6.6 per cent rise in full-year net profits to HK\$2.46hn (US\$318m), in line with expectations. Page 16 .

Two Australian groups issue warnings of the difficulties facing Australia's corporate sector

ties staff. Page 15

Munich Re to join DAX index Munich Re, the German reinsurer, is to join Ger-many's 30-share DAX index from September 23, sell its shares on the exchange in November.

Nostié sees renewed annual sales growth

offer was the biggest by a Dutch company. Page 15

CSR, the building meterials, sugar and aluminium producer, and David Jones, the recently-floated department stores group, provided further evidence as both issued profits warnings. Page 16

Costain shareholder attacks rescue plan Costain, the UK construction group, was accused by one of its largest shareholders, Kharafi of Kuwait, of trying to railroad investors into accepting a rescue refinancing. Page 17

Semiconductor groups cut production plans

and Christopher Parkes in Los Angeles

Two leading semiconductor makers - one on each side of the Pacific - yesterday applied the brakes to their production plans in response to the collapse in

world chip prices. Hitachi, Japan's largest elec-tronic equipment maker, said it had balted output at a new semiconductor plant and postponed big investments in new capacity. Rockwell International of the US

said it would delay starting pro-duction for at least a year at a \$1.2bn semiconductor wafer factory under construction in Colorado Springs and would buy in wafers instead.

Hitachi's decision, the most significant response yet by Japanese semiconductor makers to price falls, triggered further selling of Japanese electronics shares. already dragged down by last week's announcements of poor trading conditions by Hewlett

ory chips (D-Rams) have collapsed from \$48 per chip at the turn of the year to \$14 or less now, even though deliveries of personal computers are still rising at between 15 per cent and 20

But Mr David Benda, electronics analyst at BZW Securities in Tokyo, said Hitachi's production and investment cuts would do little to cut the world semiconductor industry's surplus capacity, estimated at about 15 per cent.

market for computer modems, put a positive slant on its decision to buy in components. Mr Donald Beall, chairman, said the Colorado Springs delay "by no means affects our long-term wafer manufacturing strategy or But now there was an "attrac-

tive cost opportunity" to buy in components and so the planned delay of the Colorado Springs opening until at least July 1998 would have a positive impact on

rent market conditions could prevail for up to 18 months, raising the prospect of further delays and production cuts. Hitachi's move followed a

series of production cuts - but not wholesale suspensions - by several Japanese semiconductor companies, including NEC and Mitsubishi Electric, as well as by South Korea's Samsung. Hitachi has halted production of 16-megabit D-Rams, - used in

the latest personal computers at its Takasaki plant, which

Tokyo, only last December. It hopes to resume production early next year. The result will be to cut monthly output of 16-megabit D-Rams by 10 per cent to 9m. Hitachi officials said the group had also indefinitely shelved the

imminent Y20bn (\$180m) expansion of the Takasaki plant - from 1m to 3m memory chips per month - and delayed expansion of a semiconductor plant in Germany from the coming autumn until early 1997. Rockwell results, Page 14

US mutual funds have to face the music as bull market hits the wall



The gathering weight of bearish ion on Wall Street how at last crashed through. By mid-session, the Dow Jones Average had achieved the

looked-for minimum 10 per cent correction since the year's high. Moreover, there has been a more severe bloodbath among small. market capitalisation and tech-

The dip in mutual fund net

sales to about \$15bn in June, against a monthly average of about \$25bn since January, may finally have allowed the bears to dominate. The continuing large oversupply of often speculative new flotations will have helped to tip the balance. According to Securities Data, total equity issuance, including secondary lesues as well as initial public offerings, topped \$40bp in the second quarter, beating the previous quarterly record by more than half. The jump in the long bond yield to almost 7% per cent on the payroll figures this month put equity market valuations under pressure. Ironically, bond

share sale

Wired Ventures - the US online

and traditional magazine com-

pany that has been called "the Rolling Stone of the digital revo-lution" - has postponed a planned initial public offering. It is the latest in a series of

IPO postponements. Another casualty of the slackening demand for technology shares was Hambrecht & Quist, the San

Francisco investment bank best

known for its technology busi-

H&Q was to go public this summer but said on Monday that

it was postponing its own offer-ing, because of poor market con-

Wired Ventures had filed for

its initial public offering in May and had hoped to raise around \$76m by selling a 17 per cent stake in the company at up to

\$12 a share. This would have val-

Some experts on IPOs considered its valuation to be closer to

that of the Internet companies it covers than those of publishing. More than 90 per cent of

Wired's revenues come from the traditional print magazine, but a

valuation of about \$12 a share,

or 17 times last reported annual

sales, put its value closer to that of Internet companies because of its World Wide Web product:

Like other recent Internet IPOs, Wired has yet to earn a

profit and its filing with the

Securities and Exchange Com-

mission notes the company

"expects to incur operating and

net losses for the foreseeable

Until recently excitement about Internet usage and soaring

technology shares created demand for technology offerings.

An example is Yahool an Inter-

net directory service that also

has yet to make a profit, priced

at \$18 a share in April and closed

there were 158 deals in the pipe-

ned it at \$447m.

HotWired.

vields have fallen somewhat - as they did during the 1987 crash -

from equities into bonds.

The big picture is that heavy inflows from foreign central banks into US Treasuries in the first quarter, when the Bank of Japan was desperately trying to hold the yen down, have ceased and may well have turned into outflows. This means that domestic US savings must once again be harnessed to finance the gov-ernment's budget deficit. The conditions which inflated a stock market bubble are dissipating.

What will the US Federal Reserve do now? The Fed has been worried about the stock market bubble but may also have feered that higher interest rates could have been blamed for triggering a crash in election year. That inhibition has disappeared but now the Fed may reason that the loss of stock market value may do some of the job of a rate hike. On balance, a rise in August is less likely now.

The mutual funds industry faces an important test. The claim is that there will not be through long-term retirement have come to believe since 1990 contracts. There could be heavy that the US equity market is switching out of the more aggressive equity and technology funds, which have attracted much money this year, into low-risk bond and money market funds.

The inflows are going to be abruptly cut off, even if they do not become outflows. Meanwhile, the value-conscious domestic institutions and all the foreign funds which are so underweight in US equities are potential buyers but they will only come in

of the fundamentals, US equities have looked a good 15-20 per cent overpriced. The exceptions have been some of the earnings-based measures, but earnings projections are now being hastily scaled back, especially in the shell-shocked technology sector.

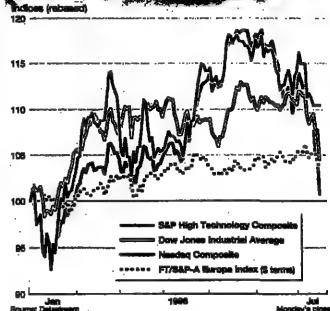
By Monday evening, the Nas-daq index was down 15 per cent from its high in June and the Pacific Stock Exchange's Technology Index had come off 20 per cent in two months. This is panic selling because so much of enough to clear out of the way the inflows were channelled the buy-on-a-dip punters who

that the US equity market is almost risk-free. Many of the institutions would like to see the Dow Jones Average well below 5,000 to fit in with their fair value measures, although that may be wishful thinking. The interna-tional issue is now that of contagion; markets around the world will be affected by Wall Street's shake-out, but not to the same degree. A well-timed study in this month's International Bank Credit Analysi suggests that Can-ada, Australia and the UK are the most vulnerable, Italy and Japan the least, Germany and France

It depends, though, on the scale of Wall Street's tumble. The UK is regarded as only moderately risky on fundamentals and might stand up quite well to a gradual US correction. But yesterday the London market was under considerable pressure, although the FT-SE 100 Index closed less than 6 per cent below its 1996 high. It is not clear whether the correction will develop into a crash. However, investors cannot complain that they were not warned.

somewhere in between.





Wired Renault's market share falls in W Europe **Ventures** By David Owen in Paris and Haig Simonien in London , per cent. The market itself grew by 4.9 per cent. they are FFr19 below the price at This 6.7 per cent decline came in postpones spite of a small increase in over-

Renault, the French carmaker, yesterday announced a sharp decline in its market share in western Europe caused mainly by a poor performance in its home market and difficult trad-ing conditions in southern

The setback, the latest in a string of unwelcome developments, sent shares in Europe's sixth largest carmaker falling to which a group of institutional investors bought 6 per cent of the company's capital in a move that took the French state's holding to below 50 per cent for the first time in recent history. The shares are FFr45 below the level at which they were first offered to the public in November 1994. Renault's share of the western

Market share was hard hit in France, where domestic carincreasingly tough foreign competition. Though it remains the leader, the company's share of its home market fell to 26.2 per cent in the first half of 1996 from 31

per cent a year earlier. European passenger vehicle mar-ket slipped to 9.7 per cent in the Unit sales dropped sharply in southern Europe, mainly because of unfavourable exchange rate first half of 1996, from 10.6 per fluctuations and tax changes in

all market growth in the region. New car registrations in Spain

contraction in another important market for Renault The company reported a decline in the market share held by both the Twingo and its toprange entrants, the Safrane and the Espace. It said the mid-range Mégane had secured a share of

fell 21.1 per cent last month,

prompting fears of a significant

and that its Laguna upper mid-range model had "consolidated its commercial success". Analysts responded negatively with the Mégane series not yet

complete - the company still, in effect, had a gap in a vital area.

"The Renault 19 was a very important model for them," said Mr John Lawson, analyst with Salomon Brothers, "What they have not done is get all the models of the Mégane on to the mar-

BCH BICC BancOne Banco Popular Kvaemer Lockheed Lucchini Mannesmann Merrill Lynch British Telecom CINMen Porse Petrobras Prisip Morris Procter & Gernble Prudential RVE Rensulf Reve Rockwell Int Cummins Engine EOS Eastman Kodak Electrobran El Lilly Endean Eni Franca Telscom France Télécom

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GM tops forecasts with rise to \$2.1bn in second quarter

manufacturer, yesterday shrugged off the stock market's jitters over corporate profits with beat most analysts' expectations and said the outlook was good at

That was not enough, though to prevent its shares slipping 25 cents in a declining market to \$46% early in the day, about 19 per cent below the peak set three months ago. Along with those of other US vehicle groups, GM's shares have been hit by fears that higher interest rates would end the boom in sales.

Mr Michael Losh, chief financial officer, said GM expected demand to remain around its current level for the rest of this year. Increases in household income and a fall in unemployment pointed to a continuing high

level of sales, he said. GM's earnings from continuing operations in the latest three months were \$2.1bn, up from \$1.9bn a year before. Its earnings per share, at \$2.63, up from \$2.39 in the same period in 1995. topped the company's previous record, set 12 years ago. GM also saw a large build-up in

at \$33 in first day dealings. Yes-terday, however, Yahool shares were changing hands for \$17%.
Mr William Smith, an analyst
at Renaissance Capital, a cash reserves in the latest three months, providing it with a war chest in the event of a strike research firm that tracks IPOs, stemming from contract negotiasaid Wired was one of about tions due with the United Auto eight deals delayed this month: a healthy development for a market that appeared to be swamped Workers union this summer.

It added \$5.4hm to its liquid resources, taking the total to \$13bn. A cash position that large would enable GM to maintain its with offerings.
Generally at this time of year there is a hacklog of about 30 deals, he said, but a week ago operations and continue to develop new products during the next economic downturn, said Mr Jack Smith, chairman

And the second s



Jack Smith: Cash position to develop cars in next downton

The company's latest earnings ment in profitability in the company's North American operations. The post-tax profit margin rose to 3.6 per cent, from 3.2 per cent a year before.
With sales advancing 6 per cent

to nearly \$29bn, that translated into a \$170m increase in net income in the region to \$1.1hn. Outside the US, however, the group's profits were dented by a devaluation in Venezuela and

higher labour and material costs in Latin America. European profits remained unchanged at \$319m, while earnings from other international operations fell \$90m Year-on-year comparisons of

reported net income at GM were clouded by an unusually low tax charge in the second quarter of 1995 and a loss on the split-off of EDS, its computer services sub-sidiary, which took effect during the latest quarter. Reported aftertax profits were \$1.9bn, compared

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NATWEST MARKETS

COMPANIES AND FINANCE: THE AMERICAS

Focus on costs pays for Eastman Kodak

By Tony Jackson in New York

Shares in Eastman Kodak shrugged off the market's collapse yesterday in response to a 17 per cent rise in secondquarter earnings to \$40m. The shares had fallen steeply last week, in part because of what the company called "unfortu-nate speculation" that earnings would be disappointing.

The shares were up \$2 at \$69% by lunchtime, still well short of their peak of almost \$80 three weeks ago.

The rise in earnings was

cent at \$4.1bn. Mr Harry Kavetas, chief financial officer, said this showed the company's focus on cost reduction was

He said sales, general and administration (SG&A) expenses had fallen from 27.9 per cent of sales to 27.6 per cent in the quarter. This was despite a sharp rise in advertising expenditure, on both the new Advantix camera and on the corporate brand. Excluding advertising, SG&A had fallen in absolute terms.

the two biggest US banking

groups, each registered double-digit earnings advances during the second three

months of the year, though for

At Chase, cost-cutting follow-

ing the merger with Chemical Banking enabled it to report a 17 per cent rise in net income

on revenues which were up 5

Citicorp, meanwhile, contin-

ued to report strong growth from its operations in the

emerging markets, which con-

tributed 58 per cent of its earnings in the latest quarter.

This more than offset higher

credit card losses in the US

and a retrenchment in corpo-

rate banking business in the developed world, enabling it to

report a 12 per cent advance in

jobs since the beginning of the

year, or 5 per cent of the total.

That has been the higgest con-tributor to merger-related cost

savings, which the bank put at

The containment of expenses

had a marked impact on some of its main operating ratios. Its

afficiency ratio (non-interest

New World Communications.

the US television station

company recently targeted

for purchase by News Corpora-

tion, is in the closing stages of

talks to take over King World,

a leading TV production and

programme syndication com-

An all-share deal, reported to

be worth almost \$1.5bn, has

been in negotiation for several weeks, and would conclude a

year-long hunt by King World

It might also spell an end to

the ambitions of Mr Rupert

Murdoch's News Corp to buy New World, which owns 10

television stations affiliated

with its fast-growing Fox net-

New World's majority share-

holder, New York financier Mr

Ronald Perelman, has said he

aims to build the company into

for a buyer.

New World close

to takeover deal

with King World

\$120m in the lastest quarter.

Chase has shed nearly 4,000

after-tax earnings.

rery different reasons.

per cent to nearly \$4hm.

revenues rose 11 per cent to 2903m. This was helped by sales of the Advantix camera system and of single-use disposable cameras, and by the Qualex photo-finishing

side the US were up 6 per cent at \$1.1bn. The figure was significantly affected by the strong dollar, Mr Kavetas said. Sales worldwide were up 8 per cent at \$2.0bn, while operating earnings rose 6 per cent to

per cent, from 63 per cent a

year before, while its return on equity climbed by 24 percent-

reported a \$13m fall in profits

from its credit card operations, to \$242m, echoing the rise in

losses across the plastic card industry in the US. The coun-

try's higgest credit card issuer said its loss ratio had risen to

4.99 per cent in the period, the

highest level since the third

quarter of 1993 and up from

3.75 per cent a year ago. However, Mr Tom Jones,

chief financial officer, said a

slight reduction in loans cat-

egorised as "delinquent" (more

than 90 days overdue) suggested the losses would not

get worse. "It's almost incon-

ceivable that you could have a

big problem that isn't preceded

by [a rise in] delinquencies," he said. Some 1.73 per cent of

credit card loans were delin-

quent at end-June, against 1.8

However, some observers

suggested the move on King World might be a tactical

manoeuvre to make New

World more attractive to News

Corp or another potential

Discussions with News Corp

broke down recently, report-

edly over Mr Perelman's alleg-

edly inflated estimates of his

The range of growth options

for smaller-scale station opera-

tors has been narrowed by the

wave of large mergers follow-

ing deregulation of US commu-

nications. At the same time, the value of established station

operators has risen as big

entertainment conglomerates

have sought to gain control of

Several prospective bidders

as much distribution capacity

debt-laden company's value.

meanwhile,

age points, to 18.7 per cent.

Citicorp,

mes were up 1 per cent overall at \$2.1hn, with US sales up 2 per cent and international sales flat. Earnings rose 15 per cent to \$209m. A strong point was the sup-

ply of film to the motion pic ture industry, Mr Kavetas said. "The film business is booming. and we're the major supplier to it," he said. Time Warner's Warner Bros studio also reported record earnings yesterday.

Mr Kavetas said losses in office equipment, such as copi-

EPS (Bas) 1906 | THE

1.79 1.52

Citicorp's corporate banking business in developed econo-mies also suffered a slight fall

in earnings, to \$211m, as it con-

tinued to trim its least profit-

able lending. Total assets in

this sector were \$19bn lower than a year before, at roughly

\$30hn, in part reflecting a deci-

sion to take fewer trading posi-

Citicorp completed its retreat

from the mortgage-backed

factors were higher profits

from emerging markets. Earn-

ings from consumer banking in

these areas rose 16 per cent to

\$226m, while corporate banking income climbed by 27 per

Mr Michel Kruse, one of few

senior executives from the old

Chase Manhattan still with the

bank following its merger with

Chemical Banking, announced

\$500m, and its successful roster

of shows, including Wheel of

Fortune and The Oprah Win-

frey Show, which are interna-

Early callers included Turner Broadcasting System, which opened talks last sun-

mer and which has since

agreed to a merger with Time

However, all potential buyers have so far baulked at the reported high asking price

for a company which relies

heavily on ageing shows and

which has had little success

tionally known.

Warner.

have been attracted by King generating new products from

More than offsetting these

Corporate banking results

tions in financial markets.

omunities brotiness

1.86 3.61 0.80

232 308

at Time year ago. For the first half as a Warner whole, the business had almost reached break-even. The graphics arts film business, where improves sales were down worldwide, continued to suffer heavy competitive pressure, and this was to \$1bn expected to continue.

Mr George Fisher, chairman, said: "On balance, we are pleased with the company's performance." He said the

mical. Mr Bill Harrison.

His departure leaves Mr Tom

Labrecht, formerly Chase's

chairman and now president

to suggestions that executives

from the larger Chemical have

assumed the dominant role in

Wells Fargo's earnings per

share fell by a fifth from a year

before, reflecting its use of pur

chase accounting for its acqui-

Had it not been for the good-

will amortisation associated with the deal, the bank would have earned \$4.89 a share.

below the \$5.58 of the preced-

Mr Paul Hazen, chairman, said the fall stemmed in part

from merger-related costs "and

because we are just beginning

to realise the economic bene-

tion rights over its top three

ardy, its other top-rated game show, are both made by Tri-Star Television, part of Sony.

King's own productions,

including news magazines and

Rolonda, a daytime talk show,

Rven so, the company is still prospering. Earlier this week it

reported third-quarter net

income up 20 per cent at \$35m

on revenues up 16 per cent at \$166m. Profits for the year to

date were 31 per cent higher

have been less successful.

Wheel of Fortune and Jeop-

properties expire in 2000.

New World sharp price (\$

ettler of First Intenstate.

ing three months.

the new institution.

interests," the hank said.

in Los Angeles earnings rise was particularly significant given the currency record performance from movements and higher adver-Warner Bros films and a new peak for the HBO pay-

television division helped Time Warner increase cash Double-digit growth for US banks flow 20 per cent to \$1hn in the second quarter. Time Inc, the publishing business and cable-TV operations, also reported cash had been in charge of all of Chase's corporate and invest-

flow up by more than 10 per cent, and group revenues shead 9 per cent, to \$4.75bn. position that went earlier this However, the group's net loss widened to \$40m from year to his counterpart at Sam in the comparable part of In recent months, he has been in charge of risk manage 1995, and the deficit per share efore extraordinary items ment, finance, and information was 26 cents, compared with 8 and transaction services. Mr cents last time. Kruse is leaving "to pursue other business and personal

By Christopher Parks

The company has not reported a profit since 1990, hen Time inc merged with Warner, mainly because of amortisation and interest charges associated with the

and chief operating officer, as the only remaining senior offi-cer from the old Chase, adding Mr Gerald Levin, the chairnan, said cable-TV's 18 per cent cash flow increase on a like-for-like basis marked a return to historical growth

He said he expected the group's strong performance to continue into the second

Although the peak of the nummer movie season is past, Warner Bros was given an early lift by the unexpected success of Twister, which has sold almost \$230m-worth of tickets since its launch in late May.

Braser. schwarzenegger vehicle, is take of \$81m so far, although future TV rights are reported to have been sold for some

The improvement from films was notable because the second quarter last year was also considered a success, thanks to Batman Forever and Bridges of Madison County.

While the removal of statutory controls over cable-TV subscriptions that helped restore the operations' fortunes, weakness was still apparent in the group's music ore than 10 per cent and cashflow was unchanged at

\$165m. The WB broadcasting network, a cash-hungry project designed to challenge the established CBS, ABC and NBC networks, incurred a loss of \$12m, unchanged from the year-earlier figure.

Losses are expected to continue, the company said, partly because of plans to increase the network's national prime-time scheduling from two to three nights a week in September.

Publishing improved under an influx of advertising revenue to publications ranging from Fortune to Peo-ple, and the group has high hopes for a temporary daily edition of Sports Illustrated during the run of the Olympic

Cash flow NEWS DIGEST

Rockwell shrugs off oversupply pressures

Rockwell International, the US electronics and automation group, yesterday reported a 13 per cent increase in net income, to \$283m, for the third quarter and a 20 per cent jump in the semiconductor market, which has prompted the group to semiconductor market, which has prompted the group to postpone until at least mid-1998 the opening of a new \$1.26n wafer factory, its high-speed computer and fax modem operations played a leading part in the improvement. Profits from the Semiconductor Systems division more than

doubled, the group said, while revenues rose at almost the same rate, to \$409m, in the review period. The high-speed. modern business maintained a return on sales rate of 20 per

The company said results for the 1997 financial year would also benefit from the delayed opening of the factory in Colorado Springs, where work started in February. Fitting out costs can now be spread out over a longer period, while simple supplies of cheap wafers from other manufacturers will belo. keep down Rockwell's modem production costs for up to 18 months, according to Mr Donald Beall, chairman.

Automation, the group's biggest division, contributing revenues of \$1bn to the quarter's total of \$15bn, and aerospace operations also improved earnings, Mr Beall said. Although profits from avionics fell 15 per cent in the quarter, there were signs of improvement in air transport markets. Defence electronics also stimmed white agreement operations absorbed. electronics also slipped, while aerospace operations showed a profits rise of 26 per cent - a figure distorted by extraordinary property-related reserves last time.

According to Mr Beall, yesterday's figures highlighted the transformation of the group from its former dependence on US defence contracts. Sales to commercial and foreign customers were almost 10 per cent higher than a year earlier and now accounted for 75 per cent of group revenues, he said.

Chip makers act to reduce output, Page 30 Christopher Parkes, Los Angeles

Caterpillar posts record quarter

Caterpillar, the Peoria, Illinois-based heavy equipment and engine maker, said this year's second quarter was its most profitable reporting period ever. Despite flat sales, at \$4km, not income rose to \$374m, or \$1.94 a share, from \$323m or \$1.63 in the 1995 second quarter. For the six months ended June 30, net income was \$670m, or \$3.46 a share, up from \$628m or \$3.11. First-half sales were \$7.69hn, down from \$7.83hn in the 1995

Caterpillar's net free cash flow rose to \$305m during the first half, from \$317m in the same period of 1995. The company said. machine and engine sales were lower both in the US and abroad during the second quarter. As US heavy truck demand declines, Caterpillar's engine sales are slowing. However, the company revised its outlook for this year's heavy engine demand, saying that while it would be below 1995 levels, it would not drop as far as previously forecast.

Similarly, Caterpillar brushed up its forecast of US industry demand for machines, saying it would be slightly less than 1995 levels. However, it cautioned that the strengthening US dollar could dent the company's future earnings. Half of Catarpillar's annual sales are outside the US, while most of its production capacity is within the US. "Although the stronger dollar benefited second-quarter margins, over the longer term a significantly stronger dollar will have an uniavourable Lourie Morse, Chicago impact," the company said.

Weak sales hit Cummins Engine

Cummins Engine, the US diesel engine manufacturer, blamed a 36 per cent drop in second-quarter earnings on a sharp. decline in sales of heavy-duty and mid-range track engines. It warned that a slowdown in truck assembly would continue to depress engine sales in the second half of the year. The Columbus, Indiana-based manufacturer reported second-quarter net income of \$44m, or \$1.10 a share, down from \$69m, or \$1.69, in the same 1995 quarter, sales dr \$1.32bn, from \$1.36bn in the same period last year.

For the first half, Cummins had not income of \$98m, or \$2.3t

a share, down from \$136m, or \$3.32, last year. First-half sales were \$2.63bn, down from \$2.69bn in the same period a year ago. Cummins said heavy-duty truck engine sales dropped 22

ago. Commins said heavy-duty truck engine sales Gropped 22 per cent from second-quarter 1995 levels, and 11 per cent from the first quarter of this year. Mid-range engine sales were off a more moderate 5 per cent from last year's second quarter.

The company said these declines were pertially offset by improved sales of power generation equipment and engines for Dodge Ram pick-up trucks. However, it said seasonal shutdowns of Dodge Ram assembly plants would probably reduce sales of light-duty truck engines in the third quarter, and that heavy truck engines in the third quarter. and that heavy truck engine demand would continue to

Sprint ahead 29% in second term Sprint, the US long-distance telephone company, reined net

income in the second quarter by 29 per cent to \$317m. on revenues up 12 per cent at \$3.5bm. However, earnings per share rose only 6 per cent to 78 cents, blamed on the issue of new shares to Sprint's partners in the international alliance Global One. The company said Global One, which includes France
Telecom and Deutsche Telekom, had exceeded expectations for
revenues and margins in its first five months of operation. Start-up costs for Global One, and for Sprint Spectrum, the company's mobile phone alliance in the US, totalled \$44m nat in the quarter, compared with \$6m.

Long-distance operating income rose 40 per cent to \$236m, on revenues up 16 per cent at \$2.1bm. Minutes of use rose 19 per cent in the quarter. Sprint said it remained the biggest carrier of commercial Internet traffic, with a 60 per cent share in the US and international markets. The shares rose \$% to \$37% in early trading.

Tony Jackson, New York

Spun-off EDS hurt by charges

EDS, the computing services group which was last month spun off from its parent General Motors, reported a 9 per cent rise in net operating income for the second quarter, to \$245m, or 51 cents a share. However, higher than expected special charges of \$290m before tax produced a net loss overall of 87

EDS blamed \$46m of the charges on the spin-off. Of the remaining \$850m, the largest part was a \$115m charge for "refreshment" of the company's computing infrastructure and other asset write-downs. There was also a \$275m charge for employee-related costs such as early retirement and staff cuts. The company expected the restructuring to produce savings from the current quarter, rising to around \$50m a quarter next year and the year after. It said the savings would help offset the reduction in earnings caused by its new contract with General Motors. The contract, for computing services, was

redrawn at the time of the spin-off. The shares rose \$% to \$47% in early trading.

with record Chase Monhattan and Citicorp.

By Maggie Livy

Merrill

surprises

earnings

Merrill Lynch, the largest Wall Street brokerage, beat market expectations with record results in the second quarter. Earnings per share of \$2.19 easily exceeded the consensus forecast of \$1.90, according to the First Call survey of ana-

Merrill, which acquired Smith New Court, the UK stockbroker, last year, reported net income of \$433m for the three months to June 28, compared with \$283m in the same quarter of 1995. It was up from \$409m, a previous record, in the first three months of 1996. Earnings per share were ahead from \$1.39 in the second quarter of 1995, and from \$2.03 in the first

quarter of this year.

The firm has been expanding from its retail brokerage investment bank offering a full range of services. It success of its "global franchise in serving issuer, investor and advisory clients".

Sector analysts had been expecting the investment banks to report lower earnings in the second quarter, as the markets became less favoureble. However, although Merrill, in common with other houses, reported a fall in revenues from principal transactions, other areas of business

continued to prosper.

Mr Joseph Willett, chief financial officer, said business remained strong throughout the quarter, with June the best month to date this year. He said that with more than 30 per cent of revenues coming from fee-based activities, the profit record should have some protection from the cycles

which plague the sector.

Principal transactions revenues fell from \$982m in the first quarter to \$908m in the second, still well aboud of revennes of \$615m in the same period of 1995. The rise in bond yields in the period depressed customer activity.

However, investment banking revenues jumped from \$378m in the first quarter to \$580m in the second, and compared with \$335m last time. Merrill attributed the increase to "significantly higher underwriting revenues" as the firm retained its position as the leading underwriter of debt and equity.

US\$150,000,000 **(64) Espírito Santo** Financial Holding S.A. Figating Rate Notes due 2009 Notice is transby given that for the three month period from July 17, 1996 it. October 17, 1996 its histories will carry at interest case of 6.17578% per annum. The interest amount payable on the force of the contract amount payable on the

The interest amount payable on the interest payment date, October 17, 1996 will be US\$157.83 for Notes in By: The Class Manhellan Bank Landon, Agent Bank

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Notice is hereby given that the rate of interest for the period from July 17th, 1996 to October 17th, 1996 has been the at 3.59828 per cent. per annum. The coupon amount the for this period is FRF 10.92 per denomination of FRF 10,000 and FRF 10,000 and a psyable on the interest payment date October 17th, 1996.

BANQUE SOFINCO

BNP The Fiscal Agent
Banque Mattenzale de Paris
(Lexambourg) S.A.

INVITATION FOR EXPRESSION OF INTEREST

COVENTRY COLLIERY

On 10 February 1996 Arthur Andersen were appointed as Administrators to Coal Investments plc, including Coventry Colliery. Since then the Cool Authority and the Administrators have advertised for expressions of interest in the mines to be registered. In the ensuing months the Administrators have operated the mine and evaluated expressions of interest from prospective operators. On 12 July 1996 no viable bids existed and the mine was surrendered to the Coal Authority.

The Coal Authority now intend to implement a closure programme unless a firm expression of interest is received within 7 days (i.e. by 24 July 1996). This date will not be extended, nor will any further advertisement appear. Any expression of interest should identify the nature of the proposal, company structure, together with the availability of expertise and financial resources. Expression of interest must be delivered to:-

> The Licensing Department The Coal Authority **Bretby Business Park** Ashby Road Burton-on-Trent Staffs DE15 0QD

Dollar's surge checks drugs groups

World's cash pile of more than its own resources. Its distribu-

By Richard Weben Sales growth at Eli Lilly, the

US drugs company, witted dur-ing the second quarter in the face of increasing competition in some international markets and the recent surge in the dol-lar. The news left Lilly's shares down \$3, or 5 per cent, at \$56% yesterday morning. Meanwhile, healthcare group Johnson & Johnson registered

a solid 20 per cent increase in net income, attributed in part to its acquisition of surgical product maker Cordiant. At Lilly, sales during the second quarter were \$1.7bn, some 5 per cent higher than a year before, as the translation

effect of a stronger dollar shaved 3 percentage points off the growth rate, and lower selling prices another 2 percentage points.

biggest product, Prozac, grew by only 5 per cent, partly because of the loss of the antidepressant's patent in Canada and fierce competition in France. Meanwhile, manufacturing and marketing costs both rose by about 10 per cent. Only the effect of various

one off items, including the sale of securities and the sale of Japanese marketing rights for one of its products, enabled the company to report an advance in pre-tax income for the period. These items added \$100m to income, compared with \$50m a year before, leading to a \$29m increase in pretax earnings from continuing operations, to \$465m.
Mr Randall Tobias, chairman, acknowledged the grow-

Randell Tobias moved to contain costs

moved to contain the growth

Net income rose 6 per cent to **\$246**m, or 63 capts a share. ing pressures. He said Lilly J&J's sales also reflected the income rose 20 per cent had increased its marketing rise in the dollar. Revenues \$79im, or 60 cents a share.

rose 13 per cent from a year before, to \$5.4bn, but would have been 3 percentage points higher but for the movement in the currency. The bulk of the growth came in the US, where sales climbed 18 per cent to \$2.6bn. The Cordiant acquisition contributed to a 21 per cent increase in sales in the group's

sional products segment, to \$2bn. Top-line growth in the consumer segment, on the other hand, was only 5 per cent, while sales of pharmaceutical products rose 11 per cent. Slower growth in costs, particularly selling, marketing and administrative expenses,

enabled the company to report a 1.2 percentage point improvement in its pre-tax profit, to 20.8 per cent. Overall, net J&I's sales also reflected the income rose 20 per cent to

Growing international demand boosts Philip Morris

By Richard Tomides

Growing demand for Philip Morris's cigarettes in international markets helped the US tobacco and food company report another period of strong profits growth yesterday, lifting second-quarter net earnings by 15 per cent to \$1.62bn.

Earnings per share, boosted by the company's heavy stock repurchases, rose by 18 per cent to \$1.97, in line with expectations on Wall Street and mirroring the pace of growth the com-

pany achieved in the first quarter. Mr Geoffrey Bible, chairman and chief executive, described the first half of the year as "a blockbuster" and said that both sides of the business - tobacco and food - had "ter-rific momentum" as the company headed into the second half.

The number of cigarettes sold by the international tobacco division rose by 12 per cent to 165bn, lifting operating profits by 19 per cent to \$984m in spite of unfavourable currency movements.

in central Europe, the figures were

boosted by Philip Morris's acquisition 0.4 per cent to 57.9bn, but the comin the first quarter of ZPT-Krakow, Poland's largest manufacturer of ciga-rettes. Excluding ZPT-Krakow, the company said, the increase in International volume would have been 9 per

in eastern Europe, volume rose by 25 per cent. Philip Morris said volume also grew strongly in most of its key developing markets, including Indonesia, the Philippines, Malaysia and the Middle East. In the domestic tobacco division,

the number of cigarettes sold fell by

pany blamed a distortion in trade buying patterns. Increased sales of premium priced cigarettes and higher overall margins helped increase the division's operating profits by 12 per Philip Morris said its total share of

the US retail cigarette market rose by 3 percentage points to 49.6 per cent, and Mariboro's share rose by 3.5 percentage points to 33.4 per cent.

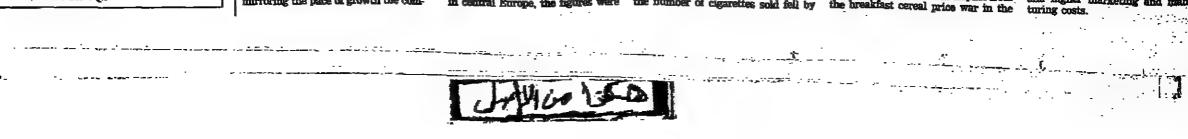
Kraft Foods, the North American food operation, saw some impact from the breakfast cereal price war in the

sion cut prices of its Post and Nabisco cereals by 20 per cent to stimulate sales, prompting a backlash by the other big cereal companies. The international food business, increased operating profits by 8 per

cent to \$285m in spite of lower volume in western and northern Europe. However, the Miller Brewing division suffered a 8.6 decline in operating profits to \$159m because of weak sales and higher marketing and manufac-

US, but still increased operating prof-

its by 7.5 per cent to \$735m. The divi-



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hilip Morris



COMPANIES AND FINANCE: EUROPE

Spanish banks join Endesa in telecoms bid Dispute

Two big Spanish domestic financial groups, Banco Santander and Banco Central Hispano, have joined with Endesa, the state-controlled electricity generator, to form the core of a consortium which looks set to run Spain's second telephone

Both banks hold significant stakes in Endesa.

Santander said yesterday the three were to appoint Mr is a similar informal partner-Antonio Barrera de Irimo, a senior Madrid business consultant, to monitor the privatisa-

tion of Retevision, the state-owned signal transmission banking competitor, is a leadcompany. Under the government's planned deregulation of the telecommunications sector, Retevisión will be awarded a hasic telephony licence within two years.

The move brings together the main partners in Airtel, the second mobile phone opera-tor in Spain which was launched last year. Ranged against this alliance

ship created by Banco Bilbao Vizcaya and La Caixa, the Barcelona-hased savings bank

ing shareholder in Iberdrola, the second-ranked electricity producer, and is a large shareholder with La Caixa in both Telefónica, the dominant telecome operator, and Repsol, the

domestic energy company. When it unveiled its deregolation plans for the telecommunications sector, the government indicated last month that BBV and La Caixa would be harred from bidding for Retevisión and the second operator licence to ensure greater competition.

Given the government's determination that Spanish capital should form the core ownership of the new operator and the limited domestic funds available, the han in practice ensures that the field for the new licence is clear for the Santander-BCH-Endesa group.

The decision by the second group to put Mr Barrers de frime in charge of its potential interests in Retevisión indicates it has speedily taken up the opportunity of accumulating positions in the telecommunications sector. Mr Barrera de lirimo, 69, was finance minis-

BANCO POPULAR

Esmings per share

Current share price

SHARE PRICE

relative to the Madrid SE Indust

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ter in the early 1970s and was chairman of Telefónica for eight years.

Under the deregulation plans, Retevisión is to create a telephony company and the government will subsequently reduce its stake to 20 per cent, the level of state-ownership in Telefónica.

The new company will be technically ready to provide acrvices as early as January next year, although licences to local cable operators which will provide the Retevision service will not be awarded until

Luis Valle: chaim

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reported at the end of the first

quarter, this remains well

above the average for the

NET INCOME

over staff poaching settled

By Nicholas Denton

The most bitter dispute about poaching in investment banking in recent years ended yesterday, when ING Barings said it had settled the lawsuit it launched last month against rival Deutsche Morgan Gren-

ING Barings, which lost 72 Latin American equities staff in a raid by DMG, said in a statement agreed with the Deutsche Bank unit that former employees would not contact any current or potential clients until September 3.

Under the settlement, DMG will not solicit investment banking or broker dealer staff from ING Barings for a period which the sides did not dis-close, but is understood to be until the end of December.

ING Rarings is retracting its claim for \$10m in damages which it lodged in the New York Supreme Court, alleging that DMG, one of the most aggressive hirers in the industry, had solicited its staff and engaged in unfair competition. The row began when Mr Hessel Lindenbergh, chief

executive of ING Barings, said DMG's predatory practices were causing increasing irrita-tion in the industry. It ended only with intervention by hoard members of the parent banks, Internationale Nederlanden Groep and Deutsche Bank.

The moratorium has little concrete significance for DMG because it would have been unlikely to approach ING Barings clients until the autumn anyway, and it has hired most of the staff it had targeted.

But an ING Barings executive said the lawsuit had drawn attention to the peaching epidemic, which many senior executives in the industry say is bidding up staff costs and undermining the stability of institutions.

"You will always see teams moving but it does send a message that, when there are par-ticularly predatory practices, the institutions have to sit down and discuss things seriously," said Mr Peter Geraghty, head of emerging mar-

NEWS DIGEST

Austrian retailer acquired by Rewe

Billa, the Austrian retailing chain, has been sold to Rewe, the biggest German food retailer. The company did not give any details, and Rewe declined to comment. A report in Austria's Kronen-Zeitung newspaper put the purchase price at Sch10bn (\$335m), which would make the deal Austria's biggest. Rewe is Germany's third-largest retailing group, behind Metro and Tengelmann, with sales of DM-13bn (\$27,19bn) last year. According to Billa, the new owner agreed not to make any

changes in the group's management and operations.

The transaction covers Billa's supermarket and drug store divisions, but not the multimedia chain Libro and the real estate division Billareal, part of which is publicly traded. Billa is privately owned by Mr Karl Wlaschek, 79, a former bar planist who started with a single store in 1953 and turned it into Austria's largest retailing group with 18,000 employees. Billa has annual sales of Sch50bn and one of the highest profit margins in the industry.

France Télécom names advisers

Prance Télécom has selected three banks - Lazard and Banque Nationale de Paris of France, and Merrill Lynch of the US - to help it prepare for the sale of some of its shares in an operation expected to take place in the early part of next year. The French government is converting the group - the fourth largest telecoms operator in the world in terms of 1994 turnover - into a joint stock company, paving the way for the expected share sale. The company is expected to be incorporated on January 1 1997, with the first shares expected to be offered by April. The government has promised to retain David Owen, Pari a 51 per cent stake.

Georg Fischer takes over rival

Georg Fischer, the Swiss machine tools group, is taking over Agie Holding, one of its smaller and weaker competitors. Fischer has bought majority control of Agie for an undisclo sum from a group of Swiss banks involved in an earlier financial reconstruction of the company, Fischer intends to retain Agie's stock market quotation but will consolidate its own Charmilles Technologies unit with Agie. The new group will have a combined turnover of SF7750m (\$598m) and plants in Switzerland, the US, China and Japan. William Hall, Zurich

Gencor lifts stake in Ingwe

Gencor, the South African mining group, has acquired another 12 per cent of Ingwe, taking its shareholding in the world's third-largest privately owned coal group to 41.5 per cent. The consideration, estimated by analysts to be worth about R612m (\$158m), was a parcel comprising Gencor's 27 per cent stake in Anglovaal Holdings, 25m new Gencor shares and R24.1m cash. Gencor has not revealed the seller's identity, although analysts point to a big South African institution. Kenneth Gooding, Mining Corresponden.

■ Lucchini, one of Italy's largest private steelmakers, yesterday warned of a "strong slowdown in demand" and a "vertical fall" in European steel prices in 1986. The family-owned group, part of the *noyau* dur of core shareholders in Usinor Sacilor of France, reported a record net profit for 1995 of L170bn (\$110m), before minority interests, against L34hn the previous year. But the company said results and production for 1996 would be hit by the general slowdown of the European economy, imports from central and eastern Europe and other countries, and the sluggish recovery in public-sector contracts in Italy. Turnover increased from Andrew Hill, Milan L2.527bm to L3.216bm.

Banco Popular increases profits by 6.2% halfway

By Tom Burns

Banco Popular, the Spanish banking group at the centre of considerable speculation over its growth strategy, yesterday posted first-half net attribut-able profits of Pta30.1bn (\$235.3m), a rise of 6.2 per cent against the first six months of

The results, in line with expectations and with the regular performance that Popular has delivered over recent years, followed an annual meeting this month that empowered the board to introduce changes to the structure of Popular's share capital.

Popular is the smallest of the hig domestic banking groups, although its annual profits are above those of larger rival banks. It recently outlined bold moves to increase its business

An international share issue

by Ahold, the Netherlands'

leading supermarkets group, yesterday survived the tumble in world equity markets to

raise Fi 8.06hn (\$1.79hn), Exclu-

ding privatisations, the offer

was the biggest by a Dutch

The price for the global

Street closed on Monday, was

F185 a share. This compares

with an expected Fi 87 and the Fl 92.50 at which Ahold shares

were trading in Amsterdam

when the offer was announced

last month. The shares ended

in line with the offer price at .

F185.10 yesterday, down from F188.70 overnight.

Nestle, the world's biggest food

group, increased sales by 5.8 per cent to SFr28.4hm (\$22.6bn) in the first half of 1996, and

expects its full-year sales to

rise by more than 6 per cent, to more than SFr60bn. It will be

the first increase in Nestlé's

The growth in Nestle's

reported sales is another sign that large Swiss companies are

starting to benefit from the

recent weakening of the Swiss

currency. Last week Roche,

Switzerland's biggest company

reported an 8 per cent rise in first-half sales, and Sandoz,

another big pharmaceutical

company, a 7 per cent increase.

By Greg McIvor in Stockholm

The rapid restructuring of

Europe's pharmaceuticals industry gained fresh impetus

yesterday when Schering, the

German drugs group, announced the FM1.43bn

(\$310m) acquisition of Leiras,

the pharmaceuticals subsidiary

The deal, subject to approval

from the German Federal Car-

tel Office, involves the pur-

chase of Leiras's non-ophthal-

of Huhtamaki of Finland.

annual sales since 1993.

By Gordon Cramb

company.

and new information systems. To aid the growth - which, according to market specula-tion, could include an acquisition - the board has been granted a wide range of options. It has been awarded powers to reduce the banking group's capital and/or the per value of its outstanding shares,

and has been given the go-ahead to raise new capital. The strategy reflects concern that the growth of Popular's highly-conservative lending business could be approaching a ceiling.
There is also concern that

the bank could, over the long term and in a falling interest rate environment, be penalised by its excessive exposure to the interbank market. "Popular's recent profit growth is clearly well below

that of its main competitors,"

The company, operator of the Albert Heijn stores, made

the offer to fund the acquisi-

tion of Stop & Shop, a north-

Between 1993 and 1995 the

Swiss franc appreciated by 15

per cent. This hit Nestlé bard,

since it reports its results in

Swiss francs, yet only about 2 per cent of its business is done

Nestlé said yesterday the

first-half figures were satisfac-

tory, especially since the cur-rency effect was still negative

during the first months of the

year. Over the past year the US dollar climbed from SFr1.15 to

SFr1.25, and Nestlé says

exchange rates are starting to

exert a positive influence on its consolidated figures expressed

in Swiss francs.

Despite Nestlé's optimistic

statement, its sales growth was

marginally less than some ana-

mic operations in female

healthcare and cancer treatment. Huhtamaki said the eye-

care unit would be sold separately. Schering was advised by Morgan Stanley.

vice-chairman, said the acqui-

sition underlined the compa-

ny's commitment to female

healthcare, including contra-ception and hormone therapy.

as one of three core areas,

alongside diagnostic imaging

and disabling disease control.

Dr Klaus Pohle, Schering

in Switzerland.

Ibersecurities. Uncertainty over the impact

of the group's next moves has resulted in the share price this rid general index and the banking sector. Over the next three years

research at Madrid brokers

Popular plans to build up tele phone banking services, and it will spend Pta8bn on new information systems and Pta7.5bn to increase its branch network by 25 per cent. The turnround programme, which seeks to build up Popo-

lar's client base among small

and medium businesses, also

includes an aggressive hiring strategy and a Ptalchn package to retire 500 of its 7,000 staff at the age of 55. Despite the rate cuts in the first half of this year, Popular's relative financial margin on

June 30 - its net interest

mission and three state author-

ities have meanwhile reached

agreement with Ahold on con-

To meet competition require

ments, it is to sell 29 stores and

two undeveloped sites out of the 227 outlets operated by

Stop & Shop and Edwards

FTC clearance means the

lysts had been expecting and its shares closed SF736 lower at

SFr1430 yesterday. Analysts

were mildly disappointed by

the first-half growth in sales volume of 3.6 per cent. This seemed to indicate a second

quarter slowdown. However, Nestlê refused to

elaborate on the difference

quarters. It said progress had

heen "particularly notable" in Africa/Near East and in Asia,

and that Europe had achieved

With the exception of roast

and ground coffee, almost all

product groups contributed to

the volume growth. The

group's growing business in central and eastern Europe

The Berlin-based group said the main benefit of the deal

was Leiras's expertise in non-

oral application forms for fer-

tility control and hormone

therapy. This would comple-

ment its oral-based product

range in a market expected to

grow faster than the overall

Huhtamaki is to repurch

a 10 per cent share of its equity

from Pharmacia-Upjohn, the

Swedish-US pharmaceuticals group, which has a joint enter-

pharmaceuticals market.

"good internal growth".

between its first and second

ditions for the takeover.

existing US chains.

results, it said.

Nestlé benefits from weaker Swiss franc

Schering in Finnish pharmaceuticals buy

Ahold raises Fl 3bn from international share issue The US Federal Trade Com- Dutch group will be able to

conclude the Stop & Shop purchase before the end of this

month, after which the terms

of the sale agreement meent it

income as a percentage of aver-

age total assets - represented

5.30 per cent. While marginally

would have had to increase the The chain is being bought from Kohlberg Kravis Roberts, the US buy-out specialist.

Super Food Stores, one of its Ahold added that it had ties, mainly Edwards stores located in Connecticut. The other divestitures required were in Rhode Island and Mas-Proceeds would slightly exceed book value and would have no material effect on its

Of Ahold's Fl 29.6bn sales

last year, as much as 45 per cent was derived from the US. If Stop & Shop had been Fl 661m. The group is expanding in eastern Europe and Acuçar, a Portuguese chain. The new shares, for which

was singled out for special mention, as were soluble co fee, other drinks and pet food.

Nextle said it looked forward

to a positive trend in volume sales for the full year and, pro-

vided there was no adverse

move in exchange rates, it expected consolidated net

profit to show "good growth".

Mr James Amoroso, of Credit

Suisse in Zurich, said that the

latest sales figures would not lead him to lower his estimate

that Nestlê's net income would

rise by 17 per cent in the cur-

rent year to SFr3.41bn, or SFr86.5 a share. Mr Pierre Tis-

sot, of Lombard Odier in

Geneva, said he was sticking to his forecast of SFr3.34bn, or

prise with Leiras for the mar-keting of famale healthcare

Pharmacia-Upjohn, which

Leiras's ophthalmics

has been linked with the sale

operations, said yesterday it

had sold its shares to Hubita-

maki's Dutch financing unit

and would terminate the joint

venture. However, it will con-

time to promote Leiras's high-

ly-rated Mirena contraceptive

method in the UK for two

years.

included, revenues would have grown to F137bn and net earnings boosted from F1492m to south-east Asia, but this month lost out to Auchan of France in a bidding contest for Pão de Goldman Sachs was global co-ordinator, represent some 22.4 per cent of Ahold's expanded equity. The banks involved retain the right to accept over-Pakhoed, the Duich trans-

port company, yesterday declared unconditional its \$19.45 a share tender offer for Univar, a US chemicals distributor. Pakhoed holds 95.5 per cent of Univar following the

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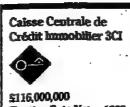
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U.S. \$100,000,000 **ASFINAG** Autobalinen- und Schnellstrasser Finanzierungs-Aktiengesellschaft Guaranteed Floating Rate Notes due 1997 Republic of Austria Notice is hereby given that for the interest Pencel from July 17, 1998 to January 17, 1997 the Notes will carry an interest Rate of 8,01172% per genum. The attouried interest psychie on January 17, 1997, will be U.S. \$3,072.65 and U.S. \$507.27 respectively for Notes in denominations of U.S. \$100,000 and U.S. \$10,000.

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note and US\$7,521.92 per Agent: Morgan Guaranty Trust Company **JPMorgan**

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CSR and David

By John Ridding in Hong Kong

Wheelock and Company, the Hong Kong conglomerate, yesterday announced net profits of HK\$2.46bn (US\$318m) for the year to end-March, a rise of 6.6 per cent, as property revenues offset investments in new businesses and a downturn in

The results come during a period of transition for Wheelock, the holding company for the late Sir Y.K. Pao's listed corporate empire. The group is developing activities in investment banking, telecommunications and services, in addition

tainer terminal businesses.

Industry analysts said the figures were largely in line with expectations and predicted that 1996-97 would see further, if unexciting, progress. Mr Adrian Ngan, property

analyst at SBC Warburg, forecast net profits of HK\$2.6bn for the current year, although he might trim this figure to take account of costs at the group's new activities. Mr Gonzaga Li, chairman,

pointed to the contribution from Wharf Holdings, Wheelock's main associate company, as the source of growth during 1995-96. He said that Wharf's biggest property holdings, which include the Harbour ation. Although the company City and Times Square com-cited "substantial progress". plexes, maintained occupancy rates at more than 90 per cent at satisfactory rental levels.

Mr Li also highlighted the strong performance of the company's own property division. Eight housing developments were marketed over the past year, with sales of more than

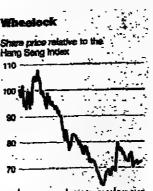
Other activities, however. had a more difficult year. Lane Crawford, the upmarket iller, saw operating profits fall by 45 per cent to HK\$16.8m as a result of weak consumer spending in Hong Kong and problems at its Singapore opercable television operations continued to suffer losses as a result of heavy investments and below-target subscriptions, Mr Li reported faster than

expected development in corporate finance at Wheelock Nat-West, the group's investment banking joint venture with National Westminster of the UK, while the Chinese brewing joint venture with Foster's of Australia is planning to double output at its Tianjin unit to respond to demand for the Largo and Great Wall brands. Last year's results were boosted by an exceptional gain

of HK\$167m from the disposal of investments, lower than the comparable figure of HK\$522m for 1994-95 but higher than analysts' forecasts. Earnings per share rose from 1143 cents to 122 cents, while the final dividend goes up from 26.5 cents to 29.5 cents, lifting the total from

37 cents to 41 cents. Wheelock has mandated four banks to arrange an unsecured HK\$3bn revolving credit/ term-loan facility, joint bookrunner Citicorp International said, Reuter reports from Hong

Other arrangers are Banque Nationale de Paris, J. P. Morgan Securities and NatWest



Markets. The facility has a five-year tenor. It is fully revolving during the initial 36

Jones warn of profits downturn By Nikki Tait in Sydney

months from the loan agreement date and then becomes

end-of-year clearance sales had been "substantially lower than expected". As a result, its earnings before interest and tax for Further evidence of the the year to July 27 are likely to difficulties faced by Australia's be in the A\$98m to A\$100m range, compared with the procorporate sector emerged yesterday when two leading comspectus forecast of A\$111m. panies issued profits warnings. "We do not see any rapid CSR, the Sydney-based buildimprovement in the current

environment and believe the dour sales climate may continue for the remainder of the calendar year," it said. However, it added that after-tax profit for 1995-96 was likely to be higher than the forecast As64m because of a lower than predicted effective tax charge. Normandy Mining, the Australian resources group, and two of its associated companies PosGold and Gold Mines of Kalgoorlie - said yesterday independent experts had recommended that shareholders accept the terms of the group's

revised merger proposal.

Normandy, headed by Mr. in the domestic market, in particular, made it "difficult Robert Champion de Crea-pigny, has been trying stoce and unwise to predict a profit November to organise a four-Like most of the larger listed way merger with PosGold, its building products companies in Australia, CSR has faced a 50.1 per cent-owed gold mining arm, and GMK and North Fitn-

slide in profits recently, as the ders Mines, in which PosGold holds minority stakes. local housing cycle has turned down sharply. In the year to end-March, it reported an aftertax profit (before abnormals) of A\$320.1m (US\$254m), an 18 per cent reduction on the 1994-95

Meanwhile, David Jones, the recently-floated Australian department stores group, warned that returns from its

ing materials, sugar and alu-minium producer, cautioned that it was unlikely to see any

significant profits growth in

the current financial year,

"This is unlikely to be a year of profit growth," Mr Alan Coates, chairman, told share-

holders at the annual meeting yesterday. "Indeed, higher prices and an early recovery in

the level of demand for prod-

ucts supplied to the Australian

housing industry are impor-tant if last year's profit level is to be achieved."

He added that "uncertainty"

which ends in March 1997.

Its efforts were held up when another company tried unsuccessfully to join the merger plan, which would create tha eighth largest gold producer worldwide. New meetings to approve the share-swap terms. have now been called for mid-

Handover bodes well for Hong Kong hoteliers

Buoyed by a strong home market, many in the industry have begun to look overseas for expansion

. heartening view, not just the bustling harbour front or city-centre skyscrapers. Limited supply, strong demand, and the bonanza of next year's handover to China have banished the industry gloom of the early 1990s, prompting a rally in share prices and profits.

"The market is very strong", says Dr Lo Kashui, managing director of Great Ragie Hold-ings, a property and hotels group. The prospects are bet-ter here than anywhere else for the next five years."

But Dr Lo and many of his counterparts are not staying put. Buoyed by the strength of their home market, Great Ragle and other Hong Kong groups are spreading their wings. A series of acquisitions and investments over recent months has driven expansion in the UK, US and the Asia-Pacific region, building the foundations of international networks and reducing the impact of any future domestic downturn.

For the moment, domestic difficulties are hard to discern. Furama Hotel Enterprises unveiled strong results for the year to the end of March, with net profits rising by 38 per cent to HK\$224.2m (US\$30m). Associated International Hotels, which operates the Hyatt Regency, raised operating prof-HK\$238m, while other groups are reporting strong revenues and returns.

The upturn is set to continue. "1997 will be a strong year for hotels," says Mr Euan Weir, vice-president of Merrill Lynch in Hong Kong. Many of

ong Kong's hoteliers the territory's hotels, from the can look out on a Peninsula to the Mandarin, are fully booked for the handover and are set to profit from the hordes of visitors eager to witness Hong Kong's transition from capitalist to communist

Nor is the handover the only factor. A report by Jardine Fleming points to a broader rise in regional tourist and business volumes, estimating annual visitor growth of about 500.000 over the next few years.

These arrivals may find it difficult to find rooms. Occupancy rates are forecast at 89 per cent this year and 92 per cent in 1997, according to the Hong Kong Tourist Associa-tion. Such high rates reflect a lack of new capacity over recent years, in part because a number of hotels, including the Hilton, have been demolished to make way for office blocks.

Bad news for room-seekers is good news for the bottom line. The Jardine Fleming report notes a strong increase in average room rates and predicts further rises of between 10 and 15 per cent for the next three vears. Profit margins will also continue to widen, it says. This rate of growth may seem too good to last, and it

probably is. Drawn by improved returns, many of Hong Kong's property groups are looking anew at hotels. Chaung Kong, the property and infrastructure concern at centre of Mr Li Ka-shing's empire, and Henderson Land are among the groups weighing the addition of hotels to ongoing developments. Property projects related to the territory's new airport will add

about 5,000 mome The prospect of increased

A lack of new capacity over recent years means many visitors to the territory may have difficulty finding a room supply has injected a note of caution for some in the industry. "I am reasonably optimistic for the next two years," says Mr Adrian Fu, chairman of Furama Hotel Enterprises. "However, I am concerned that business thereafter may level off due to the additional supply

gradual shifting of tourist traf-fic from other cities in China and south-east Asia." nother area of potential concern is the handover itself. Hotels are in the front line if the transition undermines confidence and Hong Kong's position as a business centre," says

one industry consultant. This cuts little ice with those in the business. Like most of his counterparts, Dr Lo is bullish on the prospects for the territory. "We have already committed HK\$10bn in investments over the next five years. That proves that we are opti-Great Eagle is looking over-

seas, he says, not because of concerns about the home market but because of the lim-

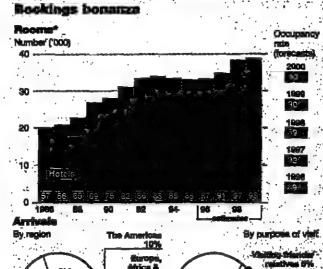
ited opportunities to build or buy hotels in Hong Kong, and because of a strategy of devel-oping an international network. In May, the company announced the £100m (US\$155m) acquisition of the Langham Hilton in London, a first step which is set to be followed by others in the US, of new hotels together with the Dr Lo says.

Others are making similar moves. Lei Sun Development, owner of the Ritz-Cariton in Hong Kong, is set to acquire the Four Sessons in New York. Hong Kong and Shanghai Hotels last month announced plans to build a Peninsula Hotel in Sydney, while Furama is developing projects in Viet-

> China may hold the greatest potential. But the going is difficult. "In London we bought the land freehold. In China, today, says Dr Lo. "We are bullish but the economics are not right, so we are fighting this." With the economics in Hone

Kong as they are at present

there is little need to hurry. John Ridding



Interleisure in Greek cinema joint venture

By Mark Anhurst in Johnmentung

Ster Kinekor, the film distribution subsidiary of South Africa's interleisure group, has launched a joint venture with Digital Multiplex, the largest Greek distributor, to develop the first Greak multi-screen cinemas in Greece

and Cyprus. 🖰 The new business will trade as Ster-Odeon and plans to build seven new "multiplex" four-screen complex in Glyfada, Athens, is scheduled to open on December 1996. The funding will be provided

equally by each group. Subsequent developments, expected to include multiplex

[†]HKTA mémbers

cinemas ranging from six to fifteen acreens, are planned for Athens, Thessaloniki and Nicosia in Cyprus. The new venture will also manufacture and distribute film merchandise, including compact discs, CD-Roms and, at a later stage, video compact discs;

The Greek cinema industry has been crippled by competi-tion from television and also: by strict government regula-tions, which were abandoned in the mid-1980s. -

at a cost of \$30m. The first more than 160m in 1970 to 8m in 1995. But Mr Mike Egan, managing director of Interiolduction of multiplex auditoriums could treble the size of the Greek cinema market withinfive years.

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to the holders of Transferable Loan Certificate ("the Certificates")

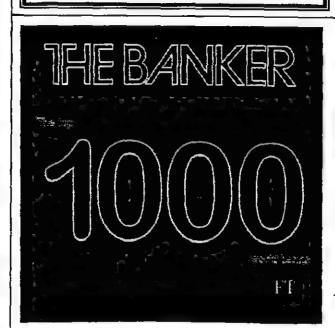
Ampolex Limited (A.C.N. 000 113 217)

pursuant to a U.S.\$125,000,000 Transferable Loan Certificate Facility Agreement

(the "Facility Agreement") dated 21 April 1993 NOTICE IS HEREBY GIVEN that Ampolex Limited ("the Issuer") will prepay from 18 October 1996 all outstanding Certificates together with all

interest accrued thereon.

The Issuer reserves its right to prepay all amounts due under the Certificates other than on an Interest Payment Date.



USD 10,000,000,000 EURO MEDIUM TERM NOTE PROGRAMME OF SOCIETE GENERALE, SGA SOCIETE GENERALE ACCEPTANCE N.V. AND SOCIETE GENERALE AUSTRALIA LIMITED SERIE N°52/94-4,TR1 SGA SOCIETE GENERALE ACCEPTANCE N.V. FRF 1,100,000,000 FLOATING RATE NOTES DUE 2004 ISIN CODE: XS0048190556

For the period July 15, 1996 to October 14, 1996 the new rate has been fixed at 7, 1390625% P.A.
Next payment date: October 14, 1996 Coupon nr. 9
Amount: FRF 1804,8 for the denomination of FRF 100 000
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Costain holder attacks rescue plan

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By Andrew Taylor

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A SHOP OF SHIP

Costain, the UK construction group, was yesterday accused by one of its largest shareholders, Kharafi of Kuwait, of trying to railroad investors into accepting a rescue refinancing

The industrial conglomerate, which owns 19 per cent of the UK construction group, said it would reject the rescue plan at Intria, a Malaysian building an extraordinary meeting in London on Monday.

Mr Alan Lovell, Costain's chief executive, has warned the company would have to go into administrative receivership if its plans were rejected. Mr Ahmed Samy, Kharafi's

investment manager, said in an interview with the Financial Times that the refinancing terms were inadequate and unfair to existing shareholders. The offer is expected to leave group, with 40 per cent of Cos-

Mr Samy said Costain should the stock is expected to be left seek a two- to three-month with the underwriters. Costain's shares Were moratorium from its bankers to allow counter-proposals to

suspended at 39p this month be drawn up. Kharafi would pending the outcome of the consider investing more and refinancing. Kharafi bought its raising its stake in Costain if stake at an average price of £1 a share, said Mr Samy. this was necessary and finance He complained that the offer Intria is underwriting a large

price of 50p a share was too cheap and would allow Intria to buy a controlling interest in part of a £73m (\$114m) offer to Costain shareholders of three new shares at 50p for every one Costain. There was no guaranowned. The state of Costain's tee that intria would provide finances is such that most of greater opportunities for Cos-

tain to win work in south-east

Intria would receive an underwriting fee of about £1m, cutting the cost of a 40 per cent stake to 48.75p a share. There were no constraints on it selling any of its stake once the refinancing was complete. Intria would have four seats on Costain's new 10-strong board while existing shareholders would have none.

Costain needs a simple majority to approve the deal.

Goldman

By Rose Tleman

Westminster Health Care's £70.5m (\$110m) hostile bid for rival Goldsborough Healthcare failed yesterday, with the pred-ator securing acceptances for only 41 per cent of the shares. But there was controversy over the purchase by SBC War-

its own account, and the Take-over Panel said the unusual

Varity Corporation is this week expected to receive

approvals from the US Securi-

ties and Exchange Commission

for its proposed merger with Lucas Industries to creats a

new world force in the manu-

facture of automotive compo-

The approvals will clear the

way for Varity to call a share-

seek authorisation to complete

The meeting of Varity share-

holders is expected to come a

RESULTS

) holders' meeting, provisionally acheduled for August 20, to

Varity tie-up

purchase may have persuaded waverers not to accept Westminster's offer. Mr Graham Smith, Goldsborough chief executive, bought 15 per cent of the shares at 150p taking his

Goldsborough shares closed

Less than healthy shares

its shares for every 100 Goldsborough shares. SBC Warburg has lost several corporate clients recently, including Legal & General and the Halifax Building Society.

CINMan By Nicholas Denton The 16-month sags of the sale

buys

of CINMan, the fund manager for the 500,000 current and future pensioners in coal industry schemes, is about to end - but the purchase price has fallen by about a third

because of delays.

Trustees of CINMan yesterday agreed in principle the sale of the bulk of its business to Goldman Sachs, the US invest-ment bank, clearing the way for a deal to be announced

today. Goldman Sachs, which has been seeking to expand into institutional fund management, is buying the marketable securities division, which rep-resents about £15bn of the £17bn (\$26.5bn) under manage-ment at CINMan. The purchase price of £40m-£50m in upfront and deferred payments is sub-stantially lower than the 270m Friends Provident agreed to pay last December in a deal that fell through within six

weeks. Moreover, the trustees have had to commit to leaving their funds with Goldman Sachs for six years, while only eight months ago they had insisted on freedom to change after

four years. Chiman, which is owned by British Coal, the rump company left after the sale of the coal mines to private sector companies such as RJB Mining, was put up for sale last year to complete the privatisa-



Through a glass smartly: David Davies inspects some plastic laminate

Keeping a careful eye on profits

driving a recovery in demand for catalytic convertors produced by Johnson Matthey to clean exhaust fumes, writes Ross Tieman.

Mr David Davies, chairman of the precious metals group, told shareholders at yesterday's annual meeting that a pick-up that began during the second half of last year was continuing, while efficiency gains helped the division's per-

Preparations for volume production of plastic

laminate for peckaging semi-conductor chips were going well, he said. Johnson Matthey is equipping a plant in Chippewa Falls, Wiscon sin, to produce the material, which is expected to replace ceramics packaging as chip operating temperatures rise.

Precious metals had made a steady start, Mr. Davies said. The shares slipped 9p yesterday to 585p. Warburg is understood to hold a 10 per cent stake, acquired in a bought deal from Minorco less than two weeks ago.

Small shareholder launches legal action on Trafalgar bid

small shareholder in Trafalear House will launch a legal action in the High Court today claiming the terms of 2904m (\$1.4bn) recommended bid for the group by Kvaerner of Norway were unfair.

Mr Simon Israel, who owns 75,000 convertible preference shares, alleges that the direc-tors and Schroders, the group's financial advisers, were wrong to tell shareholders the terms were "fair and reasonable".

If the case is successful, Kvaerner may have to increase

preference shares and Schroders could become the subject of separate legal actions. Kvaerner has offered 50p per

ordinary share and 80p per

convertible. Mr Israel argues the redemption value of the convertibles is at least 109p, and that this should have been fully paid

before any funds were allocated to ordinaries. He also says Kvaerner is pay-

ing the full redemption amount for two other classes of privately held preference shares.

written fairness opinion to the Trafalgar House board, recommending that it accept or reject the Kvaerner bid. Mr John Reynolds, a director at Schroders who has been

subpoensed to attend the hearing, said the allegations had no substance. Convertible preference shares only redeemed at par under a winding-up situation, not a takeover. It was standard practice to give the board an oral rather than a written recommendation.

Trafalgar House refused to Mr Israel will also claim that comment on the case.

Westminster Health bid fails

By Simon Kuper

burg, adviser to Goldsborough. of 4.1 per cent of the target's shares at 150p on Monday. Warburg said it had bought the stake from a single investor on

holding to 3.4 per cent. One merchant banker said:

"It will be interesting to see if Warburg do this for all their clients. It could be pretty expensive if they were doing this for a bigger company. The Goldsborough share price is already off, so they've lost money on their investment."

London to seek formal consent

from its own shareholders. The European Commission

Lucas would become a subsid-

iary of a new company, Lucas-Varity. Documents have been lodged with the court and the

approval is expected on August

18, when Luces plans its

extraordinary meeting. Varity

3p down at 145p yesterday, before Westminster said the bid had failed. The predator's shares firmed 3p to 298p. Westminster had been offering 54 of

Lucas on verge of Hunting warns after write-off

By Bernard Gray, fence Correspondent

Hunting, the defence, aviation has now approved the deal, saying it will enhance competiand oil group, has warned that tion in the European market for anti-lock brakes, which is dominated by Bosch and ITT. it will make a substantial first half loss and only "a small profit" for the year as a whole, following management prob-lems at its aviation division In the UK the only official consent still required is that of the High Court for the scheme which have led to write-offs of of arrangement under which £40m (\$62.4m). The slump this year comes

after a pre-tax profit of £31m in 1995 on turnover of £1.13hm. The biggest problem is in the design and production of interiors for the de Havilland Dash-8 commuter sircraft at the company's Biggin Hill site.

Hunting did not disclose the

the contract, but the figure is thought to be about £30m. In May, Hunting warned that there would be losses on the design of the product, and two executives left the company. A further investigation by executives from Hunting's defence division uncovered the high

production costs.

amount it has set aside against

The company has also written off £10.5m against an investment it made in developing the British Aerospace Jetstream 41. Taken together the losses of about £40m will all but wipe out its trading profit and exceptional profit of £7m on the disposal of a construction business.

... Yr to Mer S1 (37.4) Aug 8 Oct 1 Oct 7 46.5 15 1.25¥ 1.5 (22.6) (10.6) (0.58) (49.7) (82.5) (1.5) 3.0**0**0 4.15 30.3 Total Inc Investment Trusts Fleming High its: Rartmore British 6 miles to June 30 0.328 1.53 (162.3) (-) (1.58.) (-) (5.6) 4.45 2.9 5.42 Sect 5 2.76 X.EE Earnings shown basic. Dividends shown het. Figures in brackets are for corresponding period. \$\forall After exceptional credit. \$\times After exceptional charge. 10n increased capital. \$\times After exceptional credit. \$\times After exceptional charge. 10n increased capital. \$\times After exceptional charge. \$\times After exceptional charge. 10n increased capital. \$\times After exceptional charge. \$\times After exception charge. \$\times After excepti

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week after a similar meeting will subsequently be marged being convened by Lucas in into a US subsidiary.

INVITATION TO PREQUALIFICATION

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INTERNATIONAL PREQUALIFICATION PROCEDURE

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system and to maintain the motorway: is length 43Km in length 201 Km; eterned-Constantil - Bucharest South Ring in length 58 Km. operation of toll system and maintenance of the motorway:

in length 96Km - Bucharest - Pitesti In accordance with the terms to be negotiated and agreed upon between the parties to the Concession Contract. Only prequalified Applicants will be invited to participate and to submit a "Tender for Concession ".

Preliminary information regarding the prequalification and forms of *REQUEST FOR PREQUALIFICATION" (RFQ) may be obtained at the address below, between 10.00 - 15.00 local time on workdays from Monday, 15th July 1996 against a receipt of payment of US \$ 2000 (two thousand US \$), or equivalent in local or any other convertible

This amount will be paid at NAR head office, or by Bank transfer to the following accounts: Romanian Commercial Bank - Bucharest Branch (Banca Comercials

Romana - Sucursala Municiplului Bucuresti), For payment in LEI, Account No.: 302571001. For payment in US S, Account No.: 472461600490 For payment in DM, Account No.: 472431000490 Request for Prequalification shall be completed and signed and nequest to: Frequentieurs again of confession and again and then submitted in English at the address below before 30 August

1996, 12.00 (local time). NATIONAL ADMINISTRATION OF ROADS MOTORWAY DEPARTMENT 38, Dieleu Golescu Byd., Sector 1, 77113 BUCHAREST, ROMANIA FOR ATTENTION:

Mr. Iulian DANILA, Director of Motorway Department Mr. Alexandru TEODORESCU, Chief of Motorway Phone: (+) 40 1 222 7131; (+) 40 1 323 8998 Department Fax: (+) 40 1 312 0984

Each applicant will be notified separately of the Prequalification review Committees decision. The decision of the Committee will be final. NATIONAL ADMINISTRATION OF ROADS BUCHAREST, 15 July 1996

NEWS DIGEST

Sales rise at the Pru and Sun Life

Sales of life insurance, pensions and investment products grew strongly at two UK life assurers during the first half of 1996.

Prudential Corporation, the UK's largest life assurance group, raised overall new business - based on an index of regular premium sales plus 10 per cent of single premium

sales - by 27 per cent to £623m (\$972m). Sun Life Corporation, a wholly owned subsidiary of Sun Life and Provincial, the newly-floated UK and Ireland arm of UAP, the French insurer, increased total new business by 19 per cent to £144.4m.

Shares in the Pru eased 2p to 413p, while shares in Sun Life increased 2p to 22Ip.
Single contribution life, pensions and investment sales at the Prudential increased by 36 per cent to £3.33bn, while regular contribution sales rose by 18 per cent to £290m.

In the US, single premium sales at Jackson National Life, the Pru's American subsidiary increased by 17 per cent to a record \$1.64bn. Asian sales of regular premium products increased by 17 per cent to £42m, with particularly strong performances in the group's Malaysian and Singaporean subsidiaries. Sales of sin-

gle premium products surged 86 per cent to £41m. At Sun Life, new regular premium income rose by 14 per cent to film in the first half. Single premiums increased by 24 per cent to £683.5m.

Motoko Rich per cent to £633.5m.

BA sees lower fares in AA link

British Airways launched a staunch defence yesterday of its proposed alliance with American Airlines, claiming that the deal would result in lower transatlantic fares.

Speaking at the group's annual meeting in London, Sir Colin Marshall, chairman, said the tie-up would allow BA to "compete more strongly with other alliances" and to maintain "a continual drive to lower fares in real terms."

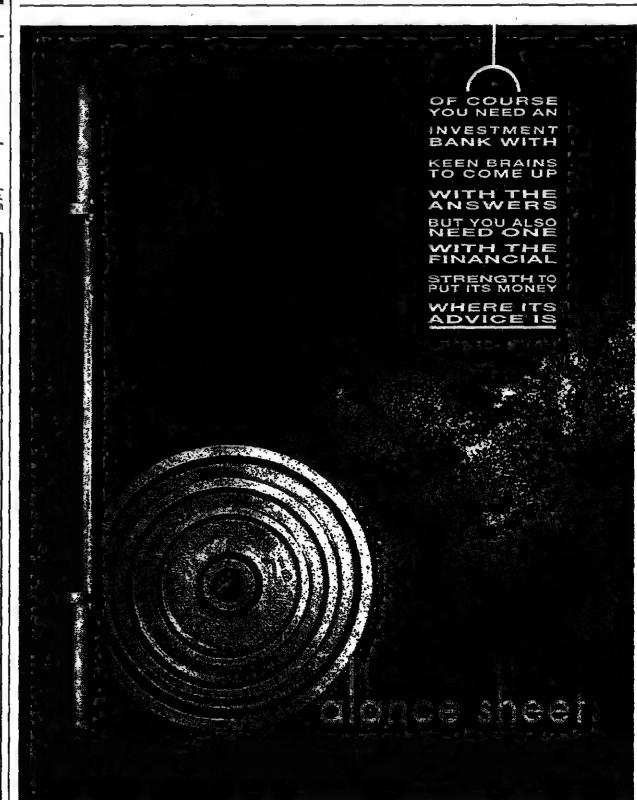
The two airlines will co-ordinate schedules and share revenues from their transatiantic operations. Sir Colin was responding to criticism of the BA-American deal, which was announced last month and which is awaiting regulatory approval.

US clearance for Glaxo drug

Glaxo Wellcome has received US marketing clearance for its anaesthetic, Ultiva (remifentanil). It is the first in a new class of anaesthetics and painkillers, characterised by extremely fast onset and offset of action.

The FDA is the second licensing authority to approve Ultiva. It is already on the market in Germany, and Glaxo expects to receive clearance soon elsewhere in Europe.

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ISSUE OF £2,000,000,000

8% TREASURY STOCK 2000

INTEREST PAYABLE HALF-YEARLY ON 7 JUNE AND 7 DECEMBER FOR AUCTION ON A BID PRICE BASIS ON 23 JULY 1996

PAYABLE IN FULL WITH APPLICATION

With a competitive bid With a non-competitive bid

Price bid plus accrued interest £107 per £100 nominal of Stock

This Stock will, on issue, be an investment falling within Part II of the First Schedule to the Trustee Investments Act 1961. Application has been made to the London Stock Exchange for the Stock to be admitted to the Official List on 24 July 1996.

- THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND invite bids for the above Stock.
- 2. The principal of and interest on the Stock will be a charge on the National Loans Fund, with recourse to the Consolidated Fund of the United Kingdom. The Stock will be repaid at par on 7 December 2000.
- Stock issued under this prospectus will rank in all respects pari passu, and will be immediately fungible, with the existing Stock and will be amalgamated with the existing Stock in the Central Gilts Office (CGO) on issue and on the register on registration. Consequently, the price payable for the Stock will include an amount equal to accrued interest from 7 June 1996, the last interest payment date of the Stock, until settlement on 24 July 1996 at the rate of £1.03014 per £100 nominal of Stock.
- 5. The Stock will be registered at the Bank of England or at the Bank of Ireland. Belfast, and will be transferable, in multiples of one penny, by instrument in writing in accordance with the Stock Transfer Act 1963. Stock registered at the Bank of England held for the account of members of the COO Service will also be transferable, in multiples of one peony, by exempt transfer in accordance with the Stock Transfer Act 1982 and the relevant subordinate legislation. Under correct legislation, transfers will
- 6. Interest is payable half-yearly on 7 June and 7 December. Income tax will be leducted from interest payments unless a relevant exception applics. Interest warmuts will be sent by post. This further issue of the Stock will rank for the full six months." ingrest due on 7 December 1996.
- The Stock may be held on the National Savings Stock Register.
- 8. The Stock and the interest payable thereon will be exampt from all United Kingdom texation, present or future, so long as it is shown that the Stock is in the beneficial ownership of persons who are neither domiciled nor ordinarily resident in the United Kingdom of Great Britain and Northern Ireland.
- 9. Forther, the interest payable on the Stock will be exempt from United Kingdom income tax, present or future, so long as it is shown that the Stock is in the beneficial ownership of persons who are not ordinarily resident in the United Kingdom of Great Britain and Morthern Ireland.
- 10. For the purposes of the preceding paragraphs, persons are not ordinarily resident in the United Kingdom if they are regarded as not ordinarily resident for the purposes of United Kinedom income tax.
- 1). Applications for exemption from United Kingdom income tax should be made in such form as may be required by the Commissioners of Inland Revenue. The appropriate forms may be obtained from the Inland Revenue, Financial Intermediaries and Claims Office, Fitz Roy House, PO Box 46, Nottingham, NG2 1BD.
- 12. These exemptions will not entitle a person to claim repayment of tax deducted from interest unless the claim to such repayment is made within the time limit provided for such claims under income tax law; under the provisions of the Taxes Management Act 1970, Section 43 (1), no such claim will be outside this time limit if it is made within six years from the date on which the interest is payable. In addition, these exemptions will not apply so as to exclude the interest from any computation for Kingdom. Moreover, the allowance of the exemptions is subject to the provisions of say law, present or future, of the United Kingdom directed to preventing avoidance of taxation by persons domiciled, resident or ordinarily resident in the United Kingdom, and, in particular, the interest will not be exernet from income tax where, under any such provision, it falls to be treated for the purpose of the income Tax Acts as income of any person resident or ordinarily resident in the United Kingdom.
- 13. It is intended that, if an official facility for the stripping of gilt-edged securities is introduced, the Stock will be strippuble subject to the terms of that facility. On 10 July 1995 the Chancellor of the Exchequer announced that the Government had decided in principle to introduce such a facility and had also decided that any securities made

strippable through any such facility would be exempt from withholding tax and from the quarterly accounting arrangements which were introduced with effect from 2 January 1996 in connection with sale and repurchase agreements for gilt-edged accurities. The starting date for an official strips facility will be announced in due

- 14. Further details of the tax treatment of securities resulting from the stripping of stock of this issue will be determined at or prior to the commencement of an official stops facility. Accordingly, the availability and terms of the exemptions in paragraphs 8 to 12 above in relation to such stripped securities are subject to modification.
- Method of Application 15. Bids may be made on either a competitive or a non-competitive basis, as set out below, and must be submitted on the application form published with the prospectus. Each application form most comprise either one competitive bid or one noncompetitive bid. Gilt-edged market makers may bid by telephone to the Bank of England not later than 10.00 am on Tuesday, 23 July 1996.
- 16. Application forms must be sent to the Bank of England, New Issues, PO Box 444, Gloucester, GL.1 1NP to arrive not lease than 10.00 AM ON TURSDAY, 23 JULY 1996; or lodged by hand at the Central Gibs & Moneymarkets Office, Bank of England, Threadneedle Street, London not later than 19.80 AM ON TUESDAY, 23 JULY 1996; or lodged by hand at any of the Branches or Agencies of the Bank of England not later than 3.30 PM ON MONDAY, 22 JULY 1996. Bids will not be revocable between 10.00 am on Thesday, 23 July 1996 and 10.00 am on Friday, 26 July
- 17. The Bank of England reserves the right to require evidence of the identity of any applicant for Stock or of any person for whom an applicant is acting as agent. Feature to provide satisfactory evidence of identity may result in delays in despatch of certificates. In addition if, for whetever reason, such evidence of identity is not provided as 2000 as is reasonably practicable (in the Bank of England's determination) and in any event within 21 days after the auction, the Benk of England may reject the application or cancel the sale of any Stock, and take any other action it may think fit. 18. Cancellation of a sale of Stock for any reason will not affect the non-competitive sale price or any other sale of Stock.
- 19. COMPETITIVE BIDS
- (i) Each competitive hid must be for one amount and at one price, excluding accused interest, expressed as a multiple of 1/32nd of £1 and must be for a minimum of £500,000 nominal of Stock and for a multiple of Stock as follows:-

Amount of Stock applied for 2500,000-21,000,000 £100,000 £1,000,000 or greater

- £1,000,000 Unless the applicant is a member of the CGO Service, PAYMENT IN FULL AT THE PRICE BID PLUS ACCRUSED INTEREST AT THE BATE OF \$1,63014 PER \$100 NOMINAL OF STOCK must be made by a CHAPS payment. Each CHAPS payment must be sent to the Sterling Banking Office, Bank of England (Sort Code 10-00-00) for the credit of "New Issues" (Account
- count in the name of the applicant (or an account in the joint names of the applicant and one or more others) held with a bunk or building society in the
- any connective bid. Connectitive bids will be ranked in descending order of price and Stock will be sold to applicants whose competitive hids are at or above the lowest price at which the Bank of England decides that any competitive bid should be accepted (the lowest accepted price). APPLICANTS WHOSE competitive bids which are accepted and which are made at prices above the or receipt of his CHAPS payment, or to the receipt of satisfactory evidence of identity

- accepted and which are made at the lowest accepted price may be satisfied in full or in part only.
- 20. NON-COMPETITIVE BIDS
- A non-competitive hid, other than one made by a gilt-edged market maker, most be for not less than £1,000 nominal and not more than £500,000 nominal of Stock and must be for a multiple of £1,000 nominal of Stock.
- (ii) Only one non-competitive bid may be submitted for the benefit of any one person. and each non-competitive application form may comprise only one noncompetitive bid. Multiple applications or suspected multiple applications are liable to be rejected.
- Unless the applicant is a member of the CGO Service, a separate cheque representing PAYMENT AT THE RATE OF \$107 FOR EVERY \$100 NOMINAL OF STOCK APPLIED FOR most accompany each noncompetitive hid; cheques must be drawn on a bank in, and be payable in, the United Kingdom, the Channel Islands or the Isle of Man.
- (iv) The Bank of England reserves the right to reject any non-competitive bid. Noncompetitive bids which are accepted will be accepted in full at the noncompetitive sale price plan accrued interest at the rate of £1.03014 per £100 nominal of Stock. The non-competitive sale price will be EQUAL TO THE AVERAGE OF THE PRICES AT WHICH COMPETITIVE BIDS HAVE BEEN ACCEPTED, the average being weighted by reference to the amount accepted at each price and ROUNDED DOWN TO THE NEAREST MULTIPLE OF 1/32ND OF EL
- If the non-competitive sale price, plus accrued interest, is less than £107 per £100 nominal of Stock, the belance of the amount paid on application will be refunded by cheque sent by post at the risk of the applicant.
- (vi) If the non-competitive sale price, plus accrued interest, is greater than £107 per £100 nominal of Stock, applicants whose non-competitive bids are accepted may be required to make a further payment equal to the non-competitive sale price, plus accined interest, less £107 for every £100 nominal of Stock allocated to them. An applicant from whom a former payment is required will be notified by letter by the Bank of England of the amount of Stock allocated to him and of the further payment due, but such notification will courier no right on the applicant to transfer the amount of Stock so allocated. The despatch of certificates to applicants from whom a further payment is required will be delayed until such
- (vii) Each gilt-edged market maker may bid non-competitively for up to 0.5% of the Stock on offer.
- 21. The Bank of England may sell less than the full amount of the Stock on offer at
- 22. The Stock will be issued in registered form. Except in the case of Stock held for number 58550009) quoting the reference "STY2000", to serive not later than the account of members of the CGO Service (for whom separate amangements apply), 1.30 pm on Wednesday, 24 July 1996. CHAPS payments must be debited to an registration will be in accordance with the instructions given in the application form. evidence as it may require of the identity of the applicant and of any person for whom the applicant may be acting as agent.
- 23. Cartificates in respect of the Stock sold (other than amounts held in the CGO the discretion of the Bank of England be withheld until the applicant's chaque has been peid or CHAPS payment received and, where required, satisfactory evidence of identity has been received. In the event of such withholding, the applicant will be BANK OF ENGLAND COMPETITIVE BIDS ARE ACCEPTED WILL FURCHASE STOCK AT modified by letter by the Bank of Engineed of the acceptance of his application and of THE PRICES WHICH THEY BID (PLUS ACCRUED INTEREST): the amount of Stock allocated to him, subject in each case to the payment of his chaque

lowest accepted price will be satisfied in full; competitive bids which are as appropriate, but such notification will confer no right on the applicant to transfer the Stock so aflocated. Certificates will be sent by post at the risk of the applicant.

24. No sale will be made of a less amount than £1,000 nominal of Stock. If an application is satisfied in part only, the excess amount paid will, when refunded, be remitted by cheque despanched by post at the risk of the applicant; if an application is rejected the amount paid on application will be returned likewise. Non-payment on presentation of a cheque or non-receipt of a CHAPS payment on the due date in respect of any Stock sold will render such Stock liable to forfeiture. Interest at a rate equal to the London inter-Bank Offered Rate for seven day deposits in sterling ("LIBOR") plus 1% per anount may, however, be charged on the amount payable in respect of any Stock for which payment is accepted after the due date. Such rate will be determined by the Bank of England by reference to market quotations, on the due date for such payment, for LIBOR obtained from such source or sources at the Bank of England.

25. Subject to the provisions governing membership of the CGO Service, a member of that Service may, by completing Section 3 of the application form, request that any Stock sold to him be credited direct to his account in the CGO on Wednesday, 34 July 1996 by means of a member-to-member delivery from an account in the name of the Governor and Company of the Bank of England, Number 2 Account. Failure to accept such delivery by the deadline for member-to-member deliveries under the rules of the CGO Service on 24 July 1996 shall for the purposes of this prospectus constitute default in due payment of the amount payable in respect of the relevant Stock.

- 26. Application forms and copies of this prospectes may be obtained by post from the Bank of England, New Leases, Southgate House, Southgate Street, Gloucester, GL1 IUW; at the Central Gilts & Moneymarkets Office, Bunk of England, Threadneedic Street, Landon, BCZR SAH or at any of the Branches or Agencies of the Bank of England; at the Bank of Ireland, Moyne Buildings, 1st Floor, 20 Callender Street, Belfast, BT1 5BN; or at any office of the London Stock Exchange.
- 27. The textstion position of the Stock, under current legislation, is broadly a
- (i) The Stock is a gilt-edged security for the purposes of Schedule 9 to the Taxation of Chargeable Gains Act 1992. Accordingly, a disposal of the Stock will not give rise to a chargeable gain or allowable loss for the purposes of capital plans tax.
- (ii) Gilt-edged securities which are not surps are not "relevant discounted securities" for the purposes of Schedule 13 to the Finance Act 1996. Thus, for a bolder of the Stock who is neither trading in the Stock nor within the charge to corporation tax in respect of it, United Kingdom income tax arising in relation to holdings of the Stock will generally be limited to income tax on interest received on in certain
- (iii) For a holder within the charge to corporation tax, a holding of the Stock will be a "Joan relationship" to which the provisions of Chapter II of Part IV of the Finance Act 1996 will apply.

Attention is drawn to the statement issued by Her Majesty's Treasury on 29 May 1985 which explained that, in the interest of the orderly conduct of fiscal policy, wither Her Majesty's Government nor the Bank of England or their respective servants or agents may specifically affect the terms on which, or the conditions under which, this Stock is issued or sold by or on behalf of the Government or the Bank; that no responsibility can therefore be accepted for any omission to make such disciosure; and that such Service for the account of members) and the refund of any excess amount peid, may at omission shall neither render any transaction liable to be set saids nor give rise to any

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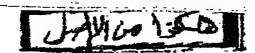
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APPLICATION FORM Complete Section 1 or 2, plus Sections 6 and 8. Sections 3, 4, 5 and 7 should also be completed where appropriate. TO THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND	REGULATED FINANCIAL INSTITUTIONS ONLY (unless Section 3 applies) Name of Regulator	DETAILS OF APPLICANT(S) (if not the person(s) in section 8) FORENAME(S) AND SURNAME(S) ADDRESS (including postcode)	The Stock will be registered on the Bank of Engined Register, unless you wish the Stock to be registered on the National Savings Stock Register (NSSR) (for which there is a maximum limit of £25,000 nominal of Stock) or at the BELFAST
I/We apply in accordance with the terms of the prospectus for competitive and non-competitive bids dated 16 July 1996 as follows:-	Membership/Reference Number		Bank of Ireland, Belfast, in which case please tick the appropriate box.
FOR COMPETITIVE BIDS ONLY (ie for Stock to be purchased at the price bid plus accrued interest)	Country/Territory of Regulator		
See notes (a) and (b) below. Nominal amount of 8% Treasury Stock 2000	THIS SECTION TO BE COMPLETED BY APPLICANTS ACTING AS AGENT FOR ANY THIRD PARTY (unless the applicant is a CGO member or is a UK or EEA regulated financial)	REGISTRATION DETAILS Stock may be registered in the names of individuals or a corporate body.	(a) A competitive bid may not be made by an applicant as agent for any third party unless the applicant is a member of the CGO or is a UK or EEA
applied for: Amount of Stock applied for Multiple	institution, and Section 3 or 4 has been completed) Full name and permanent address of each third party:	CAPITAL LETTERS PLEASE	regulated financial institution.
000,000,13-000,000 £1000,000,13-000,002 £1,000,000,13	FORENAME(S) AND SURNAME ADDRESS (including postcode)	Title Forename(s) in full Sumame	(b) Except in the case of members of the CGO Service who have completed. Section 3, a CHAPS payment must be sent to the Sterling Banking Office,
Price bid per £100 nominal of Stock, being a multiple of 1/32nd of £1:		Address	Bank of England (Sort Code 10-00-00) for the credit of "New Issues" (Account number 58560009) quoting the reference "STY2000", to arrive not later than 1.30 pm on Wednesday, 24 July 1996. CHAPS payments must be debited to an account in the name of the applicant (or an account
PLUS accrued interest at the rate of £1.63014 E p per £100 nominal of Stock: 1 03.014	If additional spacing is required, please continue on separate sheet.		in the joint names of the applicant and one or more others) held with a bank or beilding society in the UK.
£ D	THIS SECTION TO BE COMPLETED BY ALL APPLICANTS We request that Stock sold to me/us be registered in the undermentioned	Postcode	(c) A separate cheque must accompany each application. Cheques should be made payable to "Bank of England" and crossed "New Issues"; and must be
Total amount payable per £100 nominal of Stock: (excluding accrued interest)	name(s) and that any certificate be sent by post at my/our risk to the first named holder at the address shown below. IN THE CASE OF A NON-COMPETITIVE APPLICATION (other than one		drawn on a bank in, and be payable in, the United Kingdom, the Channel Islands or the Isle of Man. The Bank of England reserves the circle to
Amount required for payment IN FULL AT THE PRICE BID PLUS ACCRUED INTEREST:	made by a gill-edged market maker) I/we warrant that to my/our knowledge this is the only non-competitive application made for my/our benefit (or for the benefit of	Title Forename(s) in full Surname	for whom an applicant is acting as need. An applicant ledging as
FOR NON-COMPETITIVE BIDS ONLY	the persons on whose behalf I am/we are applying). IN THE CASE OF AN APPLICATION BY A MEMBER OF THE COO	Address	applicant's photograph (for example a reserver) and evidence of the
fire for Stock to be prochased at the non-competitive sale price, plus accrued interest, as defined in the prospectus)	SERVICE WHO HAS COMPLETED SECTION 3, we request that any Stock allocated to us be credited direct to our account at the CGO. We hereby irrevocably		applicant's name and address from a third party, for example a recent bill from a gas, electricity or telephone company or a bank or building society statement.
See notes (c) and (d) below.	undertake to accept such Stock by member-to-member delivery through the CGO Service from the Governor and Company of the Bank of England, Number 2		(d) The procedure for any refund, or further amount payable, is set out in the
Nominal amount of 8% Treasury Stock 2000 applied for, being a multiple of £1,000, with a minimum of	Account (Participant number 5183) by the deadline for such deliveries on 24 July 1996, and we agree that the consideration to be input in respect of such delivery shall be the amount payable by us on the sale of such Stock in accordance with the	Postcode	prospecius.
E1,000 and a maximum of £500,000 nominal of Stock:	terms of the prospectus. IN THE CASE OF AN APPLICATION MADE ON BEHALF OF A THIRD	Daytime Telephone Number (in case there is a query)	APPLICATION FORMS MUST BE SENT TO THE BANK OF ENGLAND,
Som enclosed, being £107 for every £100 NOMINAL of Stock applied for:	PARTY, I/we have obtained and recorded evidence of the identity of each person on whose behalf I am/we are applying, and I/we will on demand make such		LATER THAN 10,00 AM ON THESDAY 23 BHY 1996, OR LODGED BY
	evidence available to the Bank of England or the relevant authority.	FOR BANK OF ENGLAND USE Box No. Exd. Transaction Number	OF ENGLAND, THREADNEEDLE STREET LONDON MOTEL ATER THANK
FOR CGO MEMBERS ONLY CGO Participant Number	SIGNATURE(S) of, or on behalf of, applicant	728	OF THE BRANCHES OR AGENCIES OF THE BANK OF EACH AND ACT
Name of Contact Telephone Number	***************************************	Batch Number New Account No. Cert. Posted Date	LATER THAN 3.30 PM ON MONDAY, 22 JULY 1996.
		<u></u>	





ISSUE OF £1,500,000,000

8% TREASURY STOCK 2015

INTEREST PAYABLE HALF-YEARLY ON 7 JUNE AND 7 DECEMBER FOR AUCTION ON A BID PRICE BASIS ON 25 JULY 1996

PAYABLE IN FULL WITH APPLICATION

With a competitive bid With a non-competitive bid

Price bid plus accrued interest £102 per £100 nominal of Stock

This Stock will, on issue, be an investment falling within Part II of the First Schedule to the Trustee Investments Act 1961. Application has been made to the London Stock Exchange for the Stock to be admitted to the Official List on 26 July 1996.

THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND invite

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The principal of and interest on the Stock will be a charge on the National Louis Fund, with recourse to the Consolidated Fund of the United Kingdom. The Stock will be repaid at par on 7 December 2015.

numeritately fungible, with the existing Stock and will be amalgamated with the existing Stock in the Central Gills Office (CGO) on issue and on the register on registration. Consequently, the price payable for the Stock will include an associate equal to accrued interest from 7 home 1996, the last interest payment date of the Stock, confi) sertlement on 26 July 1996 at the rate of £1,07397 per £100 nominal of Stock.

5. The Stock will be registered at the Bank of England or at the Bank of Ireland, Belfast, and will be transferable, in multiples of one penny, by instrument in writing in accordance with the Stock Transfer Act 1963. Stock registered at the Bank of England held for the account of members of the CGO Service will also be manuferable, in multiples of one penny, by exempt transfer in accordance with the Sayck Transfer Act 1982 and the relevant subcritinate legislation. Under current legislation, transfers will

6. Interest is psyable hulf-yearly on 7 June and 7 December. Income tax will be deducted from interest payments unless a relevant exception applies. Interest warrants will be sent by post. This further issue of the Stock will rank for the foll six mouths' interest dise on 7 December 1996.

The Stock may be held on the National Savings Stock Register.

8. The Stock and the interest psychia thereon will be exempt from all United Kingdom taxation, present or future, so long as it is shown that the Stock is in the beneficial ownership of persons who are neither domiciled nor retinarily resident in the United Kingdom of Great Britain and Northern Ireland.

9. Further, the interest payable on the Stock will be exampt from United Kingdom income tax, present or future, so long as it is shown that the Stock is in the beneficial ownership of persons who are not ordinarily regident in the United Kingdom of Great Britain and Northern Ireland.

10. For the purposes of the preceding puregraphs, persons are not ordinarily resident in the United Kingdom if they are regarded as not onlineally resident for the purposes of United Kingdom income tax.

11. Applications for exemption from United Kingdom income tax should be made in such form as may be required by the Commissioners of Inlend Revenue. The appropriate forms may be obtained from the Inland Revenue, Financial Intermediaties and Claims Office, Fitz Roy House, PO Box 46. Notingham, NG2 1BD.

12. These exemptions will not entitle a person to claim repayment of tax deducted from interest unless the claim to such repayment is made within the time limit provided Act 1970, Section 43 (1), no such claim will be conside this time limit if it is made within six years from the date on which the interest is payable. In addition, these exemptions will not apply so as to exclude the interest from any computation for exercises purposes of the profits of any trade or business carried on in the United Kingdom. Moreover, the allowance of the exemptions is subject to the provisions of any law, present or future, of the United Kingdom directed to preventing avoidance of exection by persons domiciled, resident or ordinarily resident in the United Kingdom, and, in pasticular, the interest will not be exempt from income tax where, under any such provision, it falls to be treated for the purpose of the income Tax Acts as income of any person resident or ordinarily resident in the United Kingdom.

13. It is impended that, if an official facility for the stripping of gilt-edged securities is introduced, the Stock will be strippable subject to the terms of that facility. On 10 July 1995 the Chancellor of the Exchequer amounced that the Government had decided in principle to introduce such a facility and had also decided that any securities made stoppable through any such facility would be exempt from withholding tax and from the quarterly accounting arrangements which were introduced with effect from 2 January 1996 in connection with sale and reporchase agreements for gilt-edged securities. The starting due for an official strips facility will be amounced in due

14. Further details of the tax treatment of accurities resulting from the solution stock of this ispue will be determined at or prior to the commencement of an official urips facility. Accordingly, the availability and terms of the exemptions in paragraphs 4. Stock issued under this prospectus will mak in all respects pari passa, and will be 8 to 12 above in relation to such stripped securities are subject to modification.

Method of Application 15. Bids may be made on either a connections or a non-connection basis, as set out below, and must be submitted on the application from published with the prospectes. Each application form most comprise either one competitive hid or one moncompetitive hid. Gilt-edged market makers may hid by telephone to the Bank of England not later than 10.00 am on Thursday, 25 July 1996.

16. Application forms ninst be next to the Bank of England, New Issues, PO Box 444, Gloucester, GLI INP to arrive not later than 14.00 AM ON THURSDAY, 25 JULY 1994; or lodged by hand at the Central Gibs & Moneymarkets Office, Bank of England, Threadneedle Super, Lundon not later than 10.00 AM ON THURSDAY, 25 JULY 1996; or ladged by hand at any of the Branches or Agencies of the Brank of England not later than 3.30 PM ON WEDNESDAY, 24 JULY 1996. Bids will not be revocable between 10.00 am on Thursday, 25 July 1996 and 10.00 am on Thesday, 30

17. The Brack of England reserves the right to require evidence of the identity of any applicant for Stock or of any person for whom an applicant is acting as agent. Fullare to provide autisfactory evidence of identity may result in delays in despatch of certificates. In addition if, for whatever reason, such evidence of identity is not provided as soon as is reasonably practicable (in the Bank of England's determination) and in any event within 21 days after the auction, the Bank of Empland may reject the application or cancel the sale of any Stock, and take any other action it may think fit. 18. Cancellation of a sale of Stock for any reason will not affect the non-competitive

sale price or say other sale of Stock.

(i) Each connectifive hid most be for one smooth and at one price, excluding account interest; expressed as a unhiple of 1/32nd of £1 and must be for a minimum of £500,000 naminal of Stock and for a multiple of Stock as follows:-

> Amount of Stock applied for £500,600-£1,000,000 \$1,000,000 or extense

\$100,000 £1,000,000

(ii) Unless the applicant is a member of the CGO Service, PAYMENT IN FULL AT THE PRICE MD PLUS ACCRURD INTEREST AT THE RATE OF \$1,37397 PER \$100 NOMINAL OF STOCK must be made by a CHAPS number 58560009) quoting the reference "STY2015", to arrive not later than 1.30 pm on Priday, 26 July 1996. CHAPS payments must be debited to an account in the same of the applicant (or an account in the joint names of the applicant and one or more others) held with a bank or building society in the

(iii) The Bank of England reserves the right to reject any competitive hid or part of any compensive hid. Competitive bids will be sucked in descending order of price and Stock will be sold to applicants whose competitive bids are at or above the lowest price at which the Bank of England decides that any connections bid should be accepted (the lowest accepted price). APPLICANTS WHOSE COMPETITIVE RIDS ARE ACCEPTED WILL PURCHASE STOCK AT THE PRICES WHICH THEY RID (PLUS ACCRUED INTEREST): connective bids which are accepted and which are made at prices above the

lowest accepted price will be satisfied in full; competitive bids which are as appropriate, but such notification will confer no right on the prohecust to treat at the accepted and which are made at the lowest accepted price may be satisfied in full. Stock so allocated. Certificates will be sent by post at the risk of the applicant.

20. NON-COMPETITIVE BIDS

A non-competitive bid, other than one made by a gilt-edged morket maker, must be for not less than £1,000 nominal and not more than £500,000 nominal of Stock, and must be for a unitable of £1,000 nominal of Stock.

(ii) Only one non-compositive bid may be submitted for the benefit of any one person. and each non-compensive application form may comprise only one noncompetitive bid. Multiple applications or suspected multiple applications are liable to be rejected.

(iii) Unless the applicant is a member of the CGO Service, a separate cheque representing PAYMENT AT THE RATE OF £102 FOR EVERY £100 NOMINAL OF STOCK APPLIED FOR most accompany each noncompetitive bid; cheenes trust be drawn on a bank in, and he payable in, the United Kingdom, the Changel Islands or the Isle of Man.

(iv) The Bank of England reserves the right to reject any non-competitive bid. Noncompetitive bids which are accepted will be accepted in full at the nonhave sale price plus accraed interest at the rate of £1,07397 per £100 nominal of Stock. The non-competitive sale price will be EQUAL TO THE AVERAGE OF THE PRICES AT WHICH COMPETITIVE BIDS HAVE BREN ACCEPTED, the average being weighted by reference to the amount accepted at each price and ROUNDED DOWN TO THE NEAREST MULTIPLE OF 1/32ND OF £1.

(v) If the non-competitive sale price, plus accrued interest, is less than £100 per £100 nominal of Stock, the balance of the amount paid on application will be refunded by cheque sent by post at the risk of the applicant.

(vi) If the non-competitive sale price, plus accrued interest, is greater than £102 per £100 nominal of Stock, applicants whose non-competitive bids are accepted may be required to make a further payment coral to the pon-competitive sale price, plus accreed interest, less £102 for every £100 nominal of Stock allocated to them. An applicant from whom a further payment is required will be notified by letter by the Bank of England of the amount of Stock allocated to him and of the further payment due, but such notification will confer no right on the applicant to transfer the amount of Stock so allocated. The despatch of certificates to applicants from whom a further payment is required will be delayed until such forther payment has been made.

(vii) Each gill-edged market maker may bid son-competitively for up to 0.5% of the

21. The Bank of England may sell less than the full amount of the Stock on offer at

Bank of England (Sort Code 10-00-00) for the credit of "New Island" (Account. 22. The Stock will be issued in excistered form. Except in the case of Stock held for the account of members of the COO Service (for whom separate arrangements apply), registration will be in accordance with the instructions given in the application form. The Bank of England may decline to register Stock unless it has obtained such evidence as it may require of the identity of the applicant and of any person for whom the applicant may be acting as agent.

23. Confidences in respect of the Stock sold (other than amounts held in the COO Service for the account of members) and the refund of any excess amount paid, may at the discretion of the Bank of England be withheld until the applicant's chaque has been paid or CHAPS payment received and, where commed, satisfactory evidence of identity has been received. In the event of such withholding, the applicant will be notified by letter by the Bank of England of the acceptance of his application and of the amount of Stock allocated to him, subject in each case to the payment of his chemic or receipt of his CHAPS proment, or to the receipt of substactory evidence of identity

Cest. Posted Date

24. No sale will be made of a less amount than £1,000 nominal of Stock. If application is satisfied in part only, the excess answer raid will, when refracted be remitted by cheque despatched by post at the risk of the applicant; if an application : rejected the amount paid on application will be returned likewise. Non-payment in presentation of a cheque or non-receipt of a CHAPS payment on the due date in respecof any Stock sold will render such Stock liable to forfeiture. Interest at a retailerant to the London Inter-Bank Offered Rate for seven day deposits in sterling ("LIBOR") ptg 15 per annum may, however, he charged on the amount payable in respect of any Stock for which payment is accepted after the due date. Such rate will be determined by the Bank of England by reference to market quotations, on the due date for such payment, for LIBOR obtained from such source or wances as the Bank of England shall consider appropriate.

of that Service may, by completing Section 3 of the application form, request that any Stock sold to him be credited direct to his account in the CGO on Friday, 26 July 1996 by means of a member-to-member delivery from an account in the name of the Governor and Company of the Bank of England, Number 2 Account. Future to accept such delivery by the deadline for member-to-member deliveries under the rules of the COO Service on 26 July 1996 shall for the purposes of this prospectus constitute default in due payment of the amount payable in respect of the relevant Stock. 26. Application forms and copies of this prospectus may be obtained by post from the

25. Subject to the provisious governing membership of the CGO Service, a member

Bank of England, New Issues, Southgate House, Southgate Street, Gloucester, Gl. ! 10W; at the Central Gilts & Moneymarkets Office, Bank of England, Threadneedle Street, London, ECIR 8AH or at any of the Branches or Agencies of the Bank of England; at the Bank of Ireland, Moyne Buildings, 1st Floor, 20 Callender Street, Belfast, BT1 5BN; or at any office of the London Stock Exchange. 27. The texation position of the Stock, under current legislation, is broadly a

(i) The Stock is a gilt-edged security for the purposes of Schedule 9 to the Taxanoo of Chargeable Gains Act 1992. Accordingly, a disposal of the Stock will not give rise to a chargeable gain or allowable loss for the purposes of capital gains tax.

Gilt-edged securities which are not strips are not "relevant discounted securities" for the purposes of Schedule 13 to the Finance Act 1996. Thus, for a holder of the Stock who is neither trading in the Stock nor within the charge to corporation tax in respect of it. United Kingdom income tax arising in relation to holdings of the Stock will generally be limited to income tax on interest received or, in certain

(iii) For a holder within the charge to corporation tax, a holding of the Stock will be a "loon relationship" to which the provisions of Chapter II of Part IV of the Finance Act 1996 will apply.

Attention is drawn to the statement issued by Her Maiesty's Treasury on 29 May 1985 which explained that, in the interest of the orderly conduct of fiscal policy, neither Her Majesty's Government nor the Bank of England or their respective servants or agents undertake to disclose tax changes decided on but not yet announced, even where they may specifically affect the terms on which, or the conditions under which, this Stock is issued or sold by or on behalf of the Government or the Bank; that no responsibility can therefore be accepted for any omission to make such disclosure; and that such omission shall neither render my transaction liable to be set aside nor give rise to any

BANK OF ENGLAND

APPLICATION FORM Complete Section 1 or 2, plus Sections 6 and 8. Sections be completed where appropriate. TO THE GOVERNOR AND COMPANY OF THE BAN I/We apply in accordance with the terms of the prosper non-competitive bids dated 16 July 1996 as follows:-	nec 3, 4, 5 and 7 should IK OF ENGLAND
FOR COMPETITIVE BIDS ONLY (ie for Stock to be purchased at the price bid plus accuse See motes (a) and (b) below.	d interest)
Nominal amount of 8% Treasury Stock 2015 applied for: Amount of Stock applied for Multiple £500,000-£1,000,000 £100,000 £1,000,000 or greater £1,000,000	£
Price hid per £180 nominal of Stock, being a multiple of 1/32nd of £1: Plus accrued interest at the rate of £1.87397	£ 32nds
per £190 neminal of Stock: Total amount payable per £100 neminal of Stock: (excluding accrued interest)	1 07.397 £ p
Amount required for payment IN FULL AT THE PRICE BID PLUS ACCRUED INTEREST:	£
FOR NON-COMPETITIVE RIDS ONLY (ie for Stock to be purchased at the non-competitive sale interest as defined in the prospectors) See notes (c) and (d) below.	prior, plus accural
Nominal amount of 8% Treasury Stock 2015 applied for, being a multiple of £1,000, with a minimum of £1,000 and a maximum of £500,000 pominal of Stock.	£
Sum enclosed, being £102 for every £100 NOMINAL of Stock applied for:	£
CGO Participant Number	ne Niember

Membership/Reference Number Country/Ternitory of Regulator	(if not	he pers	OF APPLICANT(S) out(s) in section 8) j AND SURNAME(S)	ADDRE	SS (including postcode)
THIS SECTION TO BE COMPLETED BY APPLICANTS ACTING AS AGENT FOR ANY THIRD PARTY (unless the applicant is a CGO member or in a UK or EEA regulated financial institution, and Section 3 or 4 has been completed). Full name and permanent address of each third party.		_	REGISTRA be registered in the man TERS PLEASE	ATION DETA	
FORENAME(S) AND SURNAME ADDRESS (including postcode)	Tele	Fore	mac(s) in full		Surane
if additional spacing is required, please continue on repurste sheet.	Address				
	-				
THIS SECTION TO BE COMPLETED BY ALL APPLICANTS Note inquest that Stock sold to make he registered in the undermentioned					
name(s) and that any confidents he sent by post at my/our risk to the first named builder at the address shown below.					Postcode
IN THE CASE OF A NON-COMPETITIVE APPLICATION (other than one made by a gilt-edged market maker) live watcant that to mylum knowledge this is	Title	Poten	ene(s) is full		Summe
the only non-competitive application made for raptour benefit (or for the benefit of the persons on whose behalf I ans/we are applying). BY THE CASE OF AN APPLICATION BY A MEMBER OF THE CGO	Addings				
SERVICE WHO HAS COMPLETED SECTION 3, we request that my Stock allocated to us be cardined direct to our account at the CGO. We hereby interocably undertake to accept such Stock by member-to-member delivery through the CGO					
Service from the Governor and Company of the Bask of England, Number 2. Account (Pasterman number 5183) by the deadline for such deliveres on 26 July.					
1996, and we agree that the consideration to be input in respect of such delivery shall be the amount payable by us on the sale of such Stock in accordance with the					Postcode
nerous of the prospectus. IN THE CASE OF AN APPLICATION MADE ON BEHALF OF A THURD PARTY, I've have obtained and recorded cridence of the identity of each person.	Dayting	Teleph	one Number (in case the	r is a query)	
on whose behalf I moves my applying, and I/se will on demand make such			FOR BANK OF	ENGLAND	USE
evidence available to the Bank of England or the relevant authority.	Box No.		End.		Transaction Number
, (PECN) (PRIMITARY)	93	(4)	I		HOM

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N(TOS -
(2)	A competitive bid may not be made by an applicant as agent for any third party unless the applicant is a member of the CGO or is a UK or EEA regulated financial institution.
(b)	Except in the case of members of the CGO Service who have completed Section 3, a CHAPS payment must be sent to the Sterling Banking Office, Bank of England (Sont Code 10-00-00) for the credit of "New Issues" (Account number 58560009) quoting the reference "STV2015", to arrive not later than 1.30 pm on Friday, 26 July 1996. CHAPS payments must be debited to an account in the name of the applicant (or an account in the point names of the applicant and one or more others) held with a bank or building society in the UK.
(c)	A separate cheque most accompany each application. Cheques should be made payable to "Bank of Envisors" and crossed "New Issues"; and must be

The Stock will be registered on the Bank of England Register, unless you wish the Stock to be registered on the National Savings Stock Register (NSSR) (for which there

Bank of Ireland, Belfast, in which case please tiel, the

is a maximum limit of £25,000 nominal of Stock) or at the BELFAST

(d) The procedure for any refund, or further amount payable, is set out in the prospectus.

drawn on a bank in, and be payable in, the United Kingdom, the Changel Islands or the Isle of Man. The Bank of England reserves the right to

require evidence of the identity of any applicant for Stock or of any person for whom an applicant is acting as agent. An applicant lodging an

application form in person should bring evidence of identity bearing the

applicant's photograph (for example a passion) and evidence of the applicant's manne and address from a third party, for example a recent hill

from a gas, electricity or telephone company or a bank or building society

APPLICATION FORMS MUST BE SENT TO THE BANK OF ENGLAND. NEW ISSUES, PO BOX 444, GLOUCESTER, GL1 INP TO ARRIVE NOT LATER THAN 10,00 AM ON THURSDAY, 25 JULY 1996; OR LODGED BY HAND AT THE CENTRAL GILTS & MONEYMARKETS OFFICE, BANK OF ENGLAND, THREADNEEDLE STREET, LONDON NOT LATER THAN 10.00 AM ON THURSDAY, 25 JULY 1996; OR LODGED BY HAND AT ANY OF THE BRANCHES OR AGENCIES OF THE BANK OF ENGLAND NOT LATER THAN 3.30 PM ON WEDNESDAY, 24 JULY 1996.

INTERNATIONAL CAPITAL MARKETS

Europe high-yielders caught in US downdraught | Croatia cuts cost

and Lisa Bransten in New York

High-yielding European bonds were yesterday caught in the downdraught of the declining US equity market. Dollar weakness led the D-Mark to appreciate against most European currencies, and Italian, Spanish and Swedish bond markets all tumbled as a result.

"The peripheral markets have been hammered," said a UK fund manager. "We are get-ting a reversal of the liquiditydriven improvement in perioheral markets and we have a

Italy, which has outperformed strongly this year, was particularly badly hit. Currency weakness was compounded by worries about the delay in the expected cut in interest rates and concern that the government has made too many concessions to hard-left denuties in setting its 1997-1999 budget. Throughout the day, analysts reported heavy selling

Cemex, the Mexican cement

company, yesterday issued two

tranches of bonds, maturing in

2000 and 2006, for a total of

\$600m. Simultaneously, it

extended an offer to redeem

\$1bn of existing bonds, origi-

Standard & Poor's, the US

rating agency, assigned a BB rating to the new bonds, but

said the outlook for Cemex

bonds denominated in foreign

currencies was negative. S&P believes the current

restructuring of \$3.5bn of exist-

ing debt will ease "liquidity

pressures" on the company.

However, the rating agency

warned that Cemex's expan-

sion strategy, based on debt-

funded acquisitions, could

have negative effects on the

nally due to mature in 1998.

by institutions, many of which have joined the Italian rally only in its latest stages.

There has been a move out by international holders," said Mr Robert Stewart, investment manager at Matheson Investment Management in London. "A lot of people who bought Italy were not natural holders and some feel they can still get out and make a decent return on the year to date."

The sell-off saw the 10-year yield spread fall to 321 basis points from 299 points at Monday's close. On Liffe, the September BTP future lost more than a point, being quoted at 114.62 in automated pit trading. Investors said in the short term the convergence trend could soon be back on track.

but only if the dollar stabilises. Arguing that Italy could still enter the European exchange rate mechanism and that many of the improved economic fundamentals are intact. Mr Stewart said "you can make a positive case but no one is feeling positive today".

debt

ance...will be monitored

closely to insure that current

debt payment protection levels

do not deteriorate". S&P said.

demand for short-term dollar-

denominated paper with a

\$300m issue of two-year notes

offering a yield flat to Trea-

suries mainly simed at Swiss

and Benelux retail investors.

Existing bonds by DSL Bank

with similar maturities have

recently been trading at yields

between 25 and 50 basis points

and the IFC issued one-year

and two-year bonds respec-

Elsewhere, the World Bank

INTERNATIONAL

DSL Bank tapped strong

issų-

"Future

Bonds

under Treasuries.

Brothers, reported selling of high-yielders and some buying

of Treasuries. Even so "sentiment could change very fast from extreme investors might begin to buy when the 10-year yield spread over Germany reaches 350 basis points.

GOVERNMENT BONDS

Mr Julian Jessop, chief European economist at Nikko Europe, said: "You can still tell a reasonably good story about Italy and you may be able to park money in Italian bonds yielding 300 over [Germany]. but you need stability in the

■ Spain and Sweden were also hit, with 10-year yield spreads falling by 7 and 9 basis points to 285 and 193 points respectively. In Sweden, a 20 basis

at Japanese investors. Nomura, lead manager of the dollar-de-

nominated World Bank issue,

said the 5% per cent coupon

looked particularly attractive

relative to Japanese one-year

term deposits that yield barely.

The IFC's deal is of dual-currency bonds. Issued in yen, they are redeemable in dollars.

The dollar's steady apprecia-

tion against the yen has made

this type of structure increas-

ingly attractive to Japanese

The roadshow for a Mexican

\$3bn floating-rate note issue

has ended in New York, and

the launch is expected during

the first week of August. The issue, structured under the

supervision of the New York

Fed, has been awarded a provi-

sional investment grade rating

0.70 per cent.

pean strategist at Lehman rate by the Riksbank to 5.70 per cent failed to inspire the

> ■ By contrast, German bonds were helped by the strength of the D-Mark. The market, especially shorter-dated paper, was also buoved by comments from Mr Hans Tietmeyer, Bundesbank president, that the bank was interested in keeping interest rates steady for as long as possible, or even lowering them if monetary condi-

tions allowed. On Liffe, the March 1997 three-month euromark future settled at 96.29, no 0.16, while the Sentember band contract gained 0.28 to settle at 98.10. "The only thing that looks really attractive are three-month euromarks," said Mr

The dollar is helping the short end of the German market and harming the long ends of markets benefiting from

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New international bond issues

Cemex raises \$600m, offers early redemption on \$1bn issue

Mr Mark Fox, chief Euro- point reduction in the repo | Gilts closed lower with the cent Analysis had expected an market's tone again uncertain. Worries are partially linked to a heavy schedule of supply. The public sector borrowing requirement was a larger than expected £3.65km for June, with May's figure revised up to 23.56hn. The 10-year yield spread over bunds widened by 7 basis points to 164 points.

> ■ US Treasuries also enjoyed a better day, with falling equities and benign figures on June inflation beloing prices rise in arly trading yesterday. Near midday, the benchmark 30-year Treasury was & stronger at 87% to yield 7.080 per cent, the two-year was up & to 99%, yielding 6.248 per cent,

bond future was & at 106%.
US bonds declined in European and Asian trading amid worries that the consumer price index would show a jump in inflation, but in early trading the market recovered its losses after the Labor Department said the CPI rose 0.1 per to Congress tomorrow.

Nov 1997 0.20R Jul 2000 1.128 Jul 2005 1.50R Aug 1998 1.125R Aug 1998 0.15R Jul 1997 0.10

FT-ACTUARIES FIXED INTEREST DIDICES

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-0.06 -0.14 -0.19 -0.25

5.75 99.905R Suo NOT 0.25R

Up to 5 years (22)

5-15 years (20) Over 15 years (8)

increase of 0.2 per cent. Figures released later in the morning on June capacity utilisation and industrial production also came in just below

exceptions.

But the real focus of the band market yesterday continused to be the equity market, as it has been for much of the past two weeks. In early trading, the Dow Jones had dropped nearly 40 points to 5,130.30 hringing its losses over the past four sessions to nearly 300 points.

The stock market is telling

you that the earnings profile was over-estimated and bonds are rallying on that," said Mr Richard Gilhooly, international bond strategist at Paribas Capi-tal Markets in New York. He said activity was light yesterday as investors awaited comments from Mr Alan Greenspan, the chairman of the Federal Reserve, who is due to deliver his twice-yearly

Humphrey Hawkins testimony

Goldman/Lehman Strothers Goldman Seche Internation Goldman Seche International Norman/SSC Werburg Yamaichi Intifisuropo)

2.86 2.05 3.43 2.84

6.12 5 yrs 6.39 15 yrs 6.30 20 yrs 6.36 irred.†

6.30

of borrowing in debut DM deal

By Gavin Gray in Zagreb and oner Middelmann in London

The Republic of Croatia has mandated Dresdner Bank to arrange its debut in the international syndicated loans market, a DM150m term facility that will set a benchmark for Croatian risk 100 basis points lower than recent governmentguaranteed deals.

SYNDICATED LOANS

The loan has a two-year mainrity, making it also the longest Croatian governmentrisk commercial financing. The interest margin is 175 basis points over Libor, the first time a Croatian borrower has attempted to raise funds below the 200 basis point barrier. But bankers say that demand is

strong even at this rate. The level of uncertainty about Croatia was considerably higher four months ago than it is today. Two major events have happened since then. The Dayton agreement for Bosnia has begun working in a political sense, and Croatia has managed to define its external debt clearly," an official of Dresdner Bank Luxembourg

official said. In late April, Croatia agreed in principle that its share of former Yugoslavia's commer-cial bank debt would be 29.5 per cent of the total, lifting Croatia's external debt from \$3.4hn to just over \$5hn. But the servicing costs in the short run are a mere 6 to 8 per cent of export earnings. The debt ettlement was approved in late May by banks holding twothirds of the debt.

Elsewhere, the National Bank of Romania has appointed ABN Amro Bank and Citibank to arrange a new \$175m loan - Romania's fourth

7,95 8,90 8,93 8,39

Jul 16 Jul 15 Yr. ago

7.36 .8.17

loan since May 1995, when a \$150m facility marked the country's return to the international capital markets after a 15-year absence. The deal is being prepared for general syndication and is likely to be launched in early September. A \$250m five-year facility for the National Bank of Hungary was launched into general syndication last week, replacing # planned global bond offering due to substantially lower funding costs in the loan market. The facility is priced at 50 basis points over Libor - a new low for the borrower, whose last deal in July 1995 paid 150 at basis points over Libor. فعارت والبرا

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EXCHANGE CROSS MATTE

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Syndication of the project financing loan for Uch Power. a \$500m, 586MW power station to be built in Pakistan, was launched last Friday by arrangers ABN Amro Bank and Deutsche Morgan Grenfall.
Some \$300m of loans are being syndicated, split into the following tranches: a \$148.9m three-year construction loan guaranteed by US Eximbank; a \$75m 15-year loan guaranteed by the World Bank; and another \$75m 9%-year B loan from the International Financing Corporation, syndicated among commercial banks. It is the first time these three supranational agencies have financing facility.

Meanwhile, the financing for a 1,220MW power station in Indonesia, PT Jawa Power, was signed last week. The deal set a number of milestones: it is the first Indonesian project with a 15-year uncovered commercial bank tranche, the first project financing with a new type of political-risk guarantee called BKA - from the German government, and the first Asian project financing to tap US institutional investors through a private placement as part of its initial financing.

— Law souppos yield — — Medium cospon yield — — High cospon yield — Jul 16 Jul 15 Yr, ago Jul 18 Jul 15 Yr, ago Jul 18 Jul 18 Yr, ago

7.85 8.15

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From terms, non-continue transpared by the spread power revenues course to contract courses of the contract report of the contract of the cont tively. Both issues were aimed of Baa3 by Moody's. company's ratings. WORLD BOND PRICES IN HUMB PUTURES OFFICES (LIFTE) DW250,000 points of 100% BENCHMARK GOVERNMENT BONDS 0.72 0.54 0.40 1.21 1.57 1.07 0.51 IN NOTICINAL ITALIAN GOVT, BOND BYIN FLITTINGS (LIFFE)* Lira 200m 100ms of 100% Sett price Change Est. vol. Open int. 115.70 115.02 -0.96 115.75 114.70 114.38 -0.95 114.80 E ITALIAN GOVE, BOND STIY PUTURES OPTIONS (1975) 18200/1 1000m of 100% 6.25 7.29 7.99 6.09 6.75 6.93 6.48 7.17 7.95 8.08 6.87 7.05 6.98 -8/32 -8/32 -5/32 +1/32 -1/32 -0.280 101-02 98-26 107-06 100-00 67-00 103.8200 Change -0-05 -0-05 High 105-14 105-15 BOND FUTURES AND OPTIONS Est. vol. Open int. 103,580 165,208 1,480 29,677 14 2,056 High 122.14 120.74 120.12 122.10 120.78 120.52 +0.20 +0.22 +0.22 121.80 120.30 120.10 Opert Sett price Change High 90.48 90.90 +0.20 80.90 86.00 121.72 120.36 120.12 Law Sap Dec Mar 7,786 Sep 0.16 0.33 0.66 M US TREASURY BOND FUTURES (CET) \$100,000 32nds of 100% 0.96 1.86 Change -0-05 +0-02 High 107-30 107-06 (UPPE) Y100m 100ths of 100% Sett price Change High 96.10 +0.28 96.25 95.19 +0.27 95.20 Est. vol. Open int. 175038 193798 508 6732 Low 95.52 94.72 LIK GILTS PRICES 7.80 1032 7.96 963 7.98 983 7.98 1003 7.77 12034 8.02 10334 7.81 1323 8.08 1074 8.10 963 8.10 885 8.18 7.75 7.80 7.97 8.77 8.22 10.29 8.40 8.08 7.48 1012 963 973 1133 1003 1003 1004 965 - 1004 1008 1008 1008 1166 1166 1166 1076 1086 8.41 8.17 167.6 8.41 8.20 107 7.19 7.87 77% 8.10 8.23 873 8.15 8.25 85% 8.19 8.23 873 8.37 8.26 106.2 8.00 8.33 123H 8.02 8.23 973 -1 122 18% -1 1152 18% -1 1152 18% -1 1152 18% -1 1153 18% -1 1154 18% -1 1154 18% -1 1154 18% -1 1154 18% -1 1154 18% -1 1154 18% -1 1154 18% -1 1154 18% -1 1154 18%

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MARKETS REPORT

The sell-off in the US stock

market knocked the dollar

sharply lower on the foreign

exchanges yesterday in what

some analysts described as the

busiest trading session of the

The D-Mark also made

strong gains against European

currencies as concerns about

rising interest rates in Europe

and worries about European

monetary union prompted a "flight to quality" into the Ger-

Swedish krona were two of the

higgest losers on the day, while

the French franc was one of

the few units which managed

to hold its own against the

The pound had a poor sea-sion, losing three pfennigs

against the German currency.

D-Mark.

By Graham Bowley

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Yorkshire Bank - 5.75

US stock market fall prompts flight out of dollar It closed at DM2.3242 It fared rates steady as long as possible better against the dollar, closing about half a cent higher at if conditions allowed.

> The dollar closed in London at DM1.4922, down almost three plennigs from the previous close. Against the yen, the dollar finished at Y109-255, down more than one yen.

The dollar came under heavy selling pressure against the yen, Swiss franc and the The French franc closed almost unchanged against the D-mark at FFr3.389. However, the lira ended sharply lower against the German currency at L1,020, from L1,013.

Even apparent hints of lower German interest rates by Mr Hans Tietmeyer, the Bundesman currency.
The Italian lira and the bank president, failed to stem the dollar's decline yesterday. Mr Tietmeyer said he was interested in keeping interest

- Prev. close -1.5525

-0.2127 488 - 634 18.5650 18.3255 18.3246
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-0.1035 708 780 7.9732 7.0700 7.1007
-0.2281 138 - 483 372.052 387.018
-0.002 708 - 720 0.9741 0.9704 0.9709
-14.72 918 - 183 2393.41 2395.48 3175.89
-0.024 080 - 104 2.8428 2.6028 2.6031
-0.024 080 - 104 2.8428 2.6028 2.6031
-0.0073 978 - 994 10.1756 9.0753 9.985
-2.902 091 - 292 284.10 200.732 28.587
-2.133 057 - 248 198.482 195.841 186.416
-0.0749 599 - 808 10.4855 10.5433 1.8048

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+0.0409 405 + 542 +0.5586 585 - 101 +0.019 547 - 822

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or even lowering them slightly This was equivalent to ver-

bal intervention in support of the dollar," said Mr Michael Burke, international economist at Citibank in London. But any moves to support

the US currency were quickly overridden by the on-going jitters in the US stock market which pushed the dollar to its lowest level for three months against the D-Mark. The turmoil has discour-

aged anybody from buying US financial assets. They already were very long of the dollar, so the result has been concerted selling of the dollar," said Mr Burke, He said the dollar's decline

showed that the prospect of a rise in interest rates was not necessarily beneficial for a currency. There is growing speculation that the US Federal Reserve might announce a rate increase at its meeting next month. "But instead of sup-

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189.0

Against the D-Mark (line per DM) 1,000 ----1.030 1.040 1.050 1.080 -1:070.-

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porting the dollar, the prospect of a rate rise is hitting US financial assets, causing a capital outflow and so pulling the currency lower," he said.

1.080

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Mr Avinash Persaud, currency strategist at JP Morgan in London, said the stock market jitters could mean Mr Alan Greenspan, Federal Reserve chairman, may attempt to play

est rate rise at his upcoming Humphrey Hawkins testimony. "A lot of leveraged investors This would remove another are reducing their appetite for risk," he said. key prop for the dollar, he said. Analysts also said there was

In spite of the favourable view in the market that the short-term prospects this may imply for the D Mark, however. US authorities would not raise interest rates in a US election Ms Joaque Collins, strategist at Nomura in London, said year when the stock market was falling. They said this explained why the front-end of that the German currency is set to enter a period of long-term decline. This is the bond yield curve performed because it is "a dying reserve well yesterday.

currency," she said. Ms Collins said European ■Mr Persaud said that while US investors were focusing on central banks have already the stock market declines, begun to sell the D-Mark. This investors in Europe were focusis because the advent of the euro, which in effect will take ing on last week's Dutch interest rate rise. "However small this move might have been, the place of the D-Mark, means that central banks need to people are asking whether it is the first evidence that the diversify out of the German currency, she said. interest rate cycle has turned."

He said many investors this year had raised funding in low-yielding currencies such as the Dutch guilder to buy higher yielding currencies such as the lira. But these positions were

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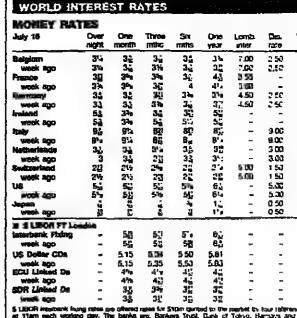


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IMS EUROPEAN CURRENCY UNIT RATES

UK INTEREST RATES LONDON MONEY RATES 511 - 5% 5% - 511 5% - 582 5% - 5% 5% - 5% 3-6 months 512 Carte Of Tax CBD, 9:100,000 is 23:pp. Deposits with resemble Aus. bender rate of Otto dep. Under 2:100,000 is 23:pp. Deposits with determine for Aus. bender rate of deposit on Jul 12, 5:49:3pc. ECGD Read rate in Aus. 18, 1988. Agreed rate for period Jul 24, 1988 to Aug 25, 1988, to be of the period Jul 24, 1988 to Aug 25, 1988, rate for period Jul 24, 1988, Schemes IV & V 5.935 from Jul 1, 1996 Certs of Tax dep. (2100,000) Sett price Change 94.27 94.15 98.84 93.39 +0.02 +0.02

PRANCE PUTURES (MAN) 8Fr 125,000 per 8Fr

94.30 94.21 93.91 93.48 93.04 13243 23072 10623 7469 4588 Strike Price Sap 0.21 0.38 0.56 0,50 0,69 0.12 9425 9450 9475

BASE LENDING RATES Girobank 5.75
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Speln Belgium German Austria Portuga Dentma France -0.82 -0.35 -0.14 -0.01 0.01 0.35 6.36 1.05 162.48\$ 2.15214 38.3960 1,91007 73.4358 0,792214 195.792 7.28580 8.40008 161.153 2,14455 39,3409 1,90883 13,4400 1.91 1.49 1.21 1.06 1.06 0.72 0.01 0.00 -0.00498 -0.0017 -0.00484 -0.0317 0,794909 196,539 7,36275 +0.005871 -0.235 -0.01563 -2.01 9.55 -2.76 +1.048 +11.89 +0.007028 3,14 --7,74 3,93 302.075 1843.13 2105.15 Strike Price 1.520 1.530 1.540 1.550 Sep 0.47 1.06 1.49 2.02 2.58 TRODOLLAR (IMM) \$1m points of 100% Open ax Low 76,859 86,705 79,842 411,868 440,381 293,293 93.79 93.82 94.14 93.84 93.88 84.15 93.85 93.89 II US TREASURY BILL FUTURES (MAA) Sim per 100% 464 109 -8 94,68 94,47 94,27 Sep Dec May EK OPTIONS (LIFFE) DM/m points of 100% Sep 0.03 0.13 0.34 0.20 0.05 0.01 Çct 0.12 0.27 0.48 0,15 0,06 0,01 0.19 0.07 0.02 0.02 0.11 0.34 9650 9675 9790 S (LIFFE) SFr 1m points of 100% Strike Price 9750 9776 Sep 0.05 0.01 0.62 0.81 Est, vol. total, Cells 50 Puts 100. Previous EUMOLIRA OPTIONS (LIFFE) L1000m points of 100% PUTS Dec 0.17 0.25 0.25

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1.5580 1.5570 1.5590

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SGA SOCIETE GENERALE ACCEPTANCE N.V. FRF 300,000,000 REVERSE FLOATING RATE NOTES DUE JANUARY 14, 2003 ISIN CODE: X50040147158

For the period July 15, 1996 to January 14, 1997 the new rate has been fixed at 16,8872% P.A.

Next payment date: January 14, 1997

Coupon nr. 9

Amount: FRF 85 843,27 for the denomination of FRF 1 000 000

THE PRINCIPAL PAYING AGENT SOCIETE GENERALE BANK & TRUST LUXEMBOURG

SGA SOCIETE GENERALE ACCEPTANCE N.V. FRF 300.000.000 REVERSE FLOATING RATE NOTES DUE OCTOBER 15, 1997 ISIN CODE: XS0034197037

For the period July 15, 1996 to October 15, 1996 the new rate has been fixed at 25,625% P.A. Next payment date: October 15, 1996 Coupon nr. 17 Amount: FRF 65 486,11 for the denomination of FRF 1 000 000

THE PRINCIPAL PAYING AGENT SOCIETE GENERALE BANK & TRUST LUXEMBOURG

OFFSHORE

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Australian wheat price estimate cut

By Nikki Tait in Sydney

The Australian Wheat Board, which handles the country's grain exports, yesterday lowered its estimate for the 1996-07 "Australian Standard Wheat" pool by \$10 a tonne, to \$225 a tonne. Its estimates for the "hard" and "prime hard" pools were revised downwards by \$15 a tonne to \$240 and \$260 a

The AWB acknowledged that this was the second time that it had reduced its estimates for the 1996-97 pools, but claimed that did not necessarily signal "the beginning of a trend". The downgrades, it said, "simply reflect the current uncertainty in the world about the supply

of and demand for grain". "In recent weeks, we've seen an unexpected recovery in the US "hard red winter" wheat crop, and excellent progress being made by a very large US and Canadian spring wheat

crops," commented Mr Ron Storey, the AWB's general manager, merchandising.

"That's being mirrored by the very good conditions we're experiencing here in Australia. Much of this wheat is medium to high protein wheat and this potential increase in supply is putting pressure on the premium end of the wheat market". The major wheat buyers, he added, were looking for much better domestic supplies and buying patterns had yet to emerge; "In effect we're still waiting for buyers and sellers to agree on the direction of this

• At the Chicago Board of Trade yesterday wheat futures prices continued the retracement that started last Friday. In afternoon trading the Sep tember position was quoted at \$4.83 a bushel, down 9.5 cents on the day and 29 cents from the peak reached last Thurs-day after a 38.5-cent rise.

used to line furnaces and kilns

in industries using processes that involve high tempera-

Guyana, an English-speaking

republic on the north east

shoulder of South America,

produced 231,000 tonnes of

refractory grade bauxite last year, and shares with China the world market for the prod-

+5,275 -380 -1,900

to 85,840 to 85,840 to 230,975

Guyana starts selling off bauxite industry

By Canute James in Kingeton

Guyans is starting the divestment of its bauxite industry by offering for privatisation a major refractory grade mine. Linmine, located about 100km from Georgetown, the capital, has about 20m tonnes of ore in the pit now being worked and known reserves of sem tonnes.

The mine, which was owned by Alcan of Canada until it was nationalised in 1971, produced 181.000 tonnes of refractory grade ore last year, accounting for just under 80 per cent of Guyana's produc-

Refractory grade bauxite is

India expected to boost LNG imports

By Robert Corzine

Imports of liquefied natural gas should make rapid inroads into India over the next 15 years or so, according to a new study by Wood Mackenzie, the Edinburgh-based energy

The report suggests Indian gas prices will rise to world market levels over the next four years, paving the way for a rapid increase in LNG mports. These will be delivered at coastal import terminals that will serve local Indian markets, especially for

power generation. Schemes to pipe gas to India from Oman, Iran and Bangladesh are unlikely to materialise before 2010, according to Wood Mackenzie, thus underpinning LNG's future role in India's energy mix.

The pipeline projects suffer from high expense, geopoliti-cal problems and engineering or technical difficulties.

The report predicts that LNG imports will begin between 2000 and 2005, with annual imports reaching 12hn cubic meters by 2010, compared with expected domestic production of 34bcm a year.

Middle East gas producers are expected to have an advantage in supplying India. "We believe that imports of Qatari LNG into India at between \$3.50-\$4.00 per MBTU will become economically attrac-

But even with a rapid build-up of LNG imports India is likely to continue to experience gas supply shortages for many years to come. Current demand is just 18bcm, although requests for gas connection to Gail, the state gas authority, suggests pent up demand of 96bcm a year by the end of the decade. Indian Gas - Can the Customer

Be Served? 66 pages. Wood Mackenzie, Kintore House, 74-77 Queen Street, Edinburgh EH2

Mongolian herdsmen make a comback as the grain revolution goes into reverse

Geoff Tansey on the transition from a centrally planned to a market economy that began in 1990

herding sheep cattle, horses and a few goats, Mr round, white felt tent - known as a gur - is just visible in the distance. It is the only sign of human habitation in sight.

The 200 sheep he looks after for a nearby privatised crop farming company graze on land that grew wheat until recently. It went out of production following the transition from a centrally planned to market economy that began in 1990; and this process is expected to speed up after the elec-tion victory of the Democratic Union Coalition last month.

Mr Damdinragchaa has a three-year contract to look after the sheep and another 20 horses for the company. For this he gets paid 39 tugriks (8 US cents) per sheep per month and 60 tugriks a month for each of the horses. He delivers the wool to the company in the spring and some animals for meat in the bitterly cold but dry winters in this huge, high,

arid central Asian country.
Sometimes, he barters the
products of his own animals for goods with traders but usually he sells them for cash Market prices in the capital city. Ulaanbaatar, he hears from neighbours or, more usually, the radio, a vital piece of equipment for most herdsmen.

There were 169,300 herdsmen in 1995 according to the State Statistical Office but the total number of families with animais was 283,900, says an official. In Mongolia herding is the traditional way of life and horses the passion. The diet is fairly restricted, however, being meat- and dairy-based with few fruits and vegetables. The land is vast - it covers an areas larger than Spain,

Portugal, France, Germany,

ritting on his horse in the Netherlands, Belgium and north central Mongolia, Luxembourg combined - but the population is tiny, about 2.8 million. Of these, 1.2m live in towns and over 600,000 in the capital. The countryside, even in the central northern areas where most crop farming is carried out, feels almost empty. Agriculture accounts for 21 per cent of GDP and incomes are very low, with a GNP per capita of \$340 in 1994.

ding to the 1996 World Bonk Atlas Wheat production was only introduced on any scale under Russian influence about 35 years ago, as part of the Virgin Lands programme, when largescale, mechanised state farms were developed. With a growing season of about 90 days, timing is critical. The state farms have now been at least partly broken up and priva-tised but still follow the same farming practices. The area

under cultivation has dropped

Dugar in the Nomgon district of Selenge province became a dairy farmer after the large complex, at which he used to be the sports teacher, was broken up into 15 smaller units. He and has wife have received loans and training as part of a project to support the development of small-scale dairying in this area. They plan to process milk at a local factory and market the products in the nearby city of Darhan.

Learning how to operate in a market, how to set prices, is a challenge facing not just Mr Dugar but most of Mongolia's farmers and herders. "All the markets for commercial agricultural products are in the aimag [provincial] centres says Ms Brigid Poon, a UN Foof and Agriculture Organisation market information consultant working on a marketconcerned with ensuring that



Herding is the tradition and horses the passion in Mongolia .

gur just off the road for the however, with a largely literate population and the wide reach of radio into the countryside

and TV in the towns and cities. About two thirds of herders have radios.

The country's wheat production fell from

596,200 tonnes in 1990 to 321,900 in 1994, leading to large food aid requirements Few of them look after other there is a flow of market infor-

considerably, from 854,100 hectares in cereals, mainly wheat, in 1990 to 449,100 ha in 1994, according to SSO figures. Wheat production fell from 596,200 tonnes in 1990 to 321,900 in 1994, leading to large food aid requirements. A World Bank study suggested that it would not be economic to be self-sufficient in wheat but self-sufficiency for food security is still a live issue. The area under fodder crops

dropped much more dramatically, from 117,800 ha to 10,900 between 1990 and 1994, as the large dairy enterprises were

mation to help farmers and herders decide what to pro-

"There are two different problems," she says. "First of all, getting the market information message out to simag centres, then to soms [districts]. What we are trying to do with market information is really to encourage flows of

The other problem is that in Mongolia the distances are very, very great and people's understanding of markets is still very limited. Mongolia has a useful legacy from the past,

companies' sheep like Mr Dam-dinragehas. This only happens in the central northern cropping areas, he says. He was a tractor driver until he had health problems ten years ago and became a herder. The majority of herders are found in other parts of Mongolia, still practising their nomadic way of life. For them and the settled families who keep ani-

About 100km north of Ulaanbaatar two young brothers have lived permanently in a

wealth and they want more of

past two years looking after the family's 80 sheep and goats, 30 horses, 10 cattle and a few pigs. An elder brother, Mr Ganbold, visits them regularly to see how they are getting on, These animals are the main wealth of five related families and are used for meat, draught and to generate cash from their products, including skins, hides and cashmere. "If possible we'll grow to having a 1.000" he says.

Such sentiments are of great concern for the Ministry of Nature and Environment. Overgrazing is a big issue facing Mongolia, according to officials, who are also concerned about the environmental effects of off-road vehicles, which are carving out tracks up to 2km wide across a coun-

try with very few roads. For Mr Damdinragchas, how-ever, life is better than it was ten years ago. He prefers being a herder. The animals are mals, the animals are their profitable," he says. "Also it's free, there are no controls over you, there is more liberty in the job."

BASE METALS

LONDON METAL EXCHANGE UNA, DILT PUTOTY (5 per lores)

COMMODITIES PRICES

Previous High/fow AM Official Karb close	1422-8 1425 1424.5-6.8	1489-80 1470/1457 1469-5-60.8
Open int. Total delly turnover	246,477 66,322	
Close Previous	1210-30	1258-80 1240-50
High/fow AM: Official Karb close	1216-30	1260/1255 1252-5 1260-65
Open int. Total daily turnover III LEAD (5 per tonne)	5,205 721	
Close Provious	754.5-6.5 762-3	767.5-8.5 773-4
High/fow AM Official Karb close	750 750-1	769.5/756 765-6 707-6
Open int. Total delly turnover	81,181 11,413	701-0
E HICKEL & per 1019	Wil.	
Close Prevents High/low AM Official Kerb close	7140-50 7005-15 6946 6960-55	7250-60 7120-30 7320/6970 7056-62 7210-20
Open stil. Total daily turnover III TIN (5 per torne)	43,015 19,824	72.10-00
Cicse	6195-208	6250-56
Francus High/low	6225-35	6275-80 6250/6170
AM Official Kerb close	5180-90	6235-40 6240-45

Open int. Total daily lumover Close Provous High/Iow AM Official 977.5 E COPPER, grade A 5 per torr 1967-72 1**902-3** 1970/1935 1930-34 1875/1823 1855-60

Soct: 1,5591 3 mile: 1,5589 6 mile: 1,5605 9 mile: 1,5615 *120 83.90 57.20 903 1,155 *120 85.90 88.10 26 2,240 *125 88.75 86.20 1229 13,07 *1.85 87.50 87.50 12 1,307 *1.85 87.50 87.50 12 1,307 88.05 +1.20 89.00 57.20

PRECIOUS METALS

384.70-385.10 247.201 472.704 385,70-386,10 384.00-384.40 ...4.26

Silver Pox Spei 3 months 339,35 348.20 549,10 Precious Metals continued EL GOLD COMEX (100 Troy oz.; \$/troy oz.) -1.4 - - 163 169 -1.5 367.0 384.0 31,525 78,300

-1.8 386.7 387.1 1,804 7,467 -1.8 382.4 388.1 7,702 43,666 -1.8 384.0 383.4 670 8,191 -1.8 386.1 395.2 17 8,701 22 56 51 M PALLADIUM NYMEX (100 Troy cz.; &/troy cz.) 136.00 -5.00 136.00 134.00 204 6,772 138.25 +1.00 136.00 136.00 45 1,003 137.36 +1.90 - - 12 138.40 +1.00 - - 107 138.25 +1,60 137.35 +1.90 138.40 +1.50 M SALVER COMEX (5,000 Trey 62; Centertrey 62.)

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21.02 17.465 55,072 20.75 9,424 33,802 20.26 8,102 27,467 19.80 7,076 32,180 19.56 3,953 24,471 E CRUDE OIL FE BAUM

6,709 13,147 18,830 76,369 3,576 25,434 2,250 8,520 1,823 14,976 1,007 12,005 58.75 11,428 3 57.10 4,883 1 57.40 2,054 57.90 2,022 30.10 2,437 20,889

179.55 +2.75 180.25 178.00 \$2.71 22.781
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174.50 +2.75 174.75 173.25 1,133 8,246 202 2,325 12,881 55,715 173.00 +2.75 173.00 172.00 MATURAL GAS NYMEX (10,000 mmGta; &/mmSta.) IK LONDON MULLION MARKET Prices supplied by N M Rothschild Latest Day's Open price change High Low Yes int 2755 -0.010 2.730 2.745 10,296 30,850

2740 4539 27,444 2675 2082 21,064 2680 12 12,899 2670 625 15,616 2675 360 12,325 18,886 183,554 2.750 -0.024 2.780 2.740 2.678 -0.022 2.705 2.675 2.655 -0.027 2.686 2.650 2.675 -0.025 2.700 2.670 -0.46 85.80 64.40 14.827 25.724 -0.43 63.90 62.90 5.55 19.877 -0.28 60.50 60.20 1,503 5,972 -0.28 58.60 58.15 348 2,171

56.90 -0.18 57.15 56.80

GRAINS AND OIL SEEDS

110.50 -0.40 111.25 110.75 112.65 -0.35 113.25 112.60 114.65 -0.25 113.10 114.65 116.65 +0.15 116.50 116.50 118.50 - 178.00 118.50

-10.75 491.25 474.00 536 2.022 -2.25 494.90 478.51 8,823 32.035 -5.5 501.50 495.00 10,971 22,427 -1.25 592.00 495.90 818 4,981 -4 494.00 495.00 104 2,033 -1 454.00 405.00 104 2,033 MAGZE CST (5,000 by mirc com/58b burne) 901.75 -80.25 585.50 500.00 2,774 4,196 404.50 -12 419.00 404.50 16,015 77,780 307.25 -12 391.00 367.25 45,253 180,132 272.00 -11.75 584.50 571.75 2,385 28,384 275.25 -10.75 387.00 374.00 726 6,285 374.25 -10.25 384.00 373.00 885 7,001 86,726310,241

104.25 -0.85 104.25 104.25 106.50 -0.40 104.00 104.00 110.55 -0.75 111.50 111.50 111.00 -1.80 -823.00 -18 841.00 815.00 1,344 2,008 820.50 -17.5 839.00 809.00 13,077 33,484 807.00 -15.25 822.25 795.50 2,708 12,335 783.50 -15.25 812.00 781.00 60,520 17,865

M SOYABEAN OIL CET (80,000bit conts/b) 25.97 -0.41 28.05 0.28 2.893 1.785 25.07 -6.32 28.45 25.86 8.000 18,674 25.29 -0.20 28.62 25.88 2.709 14.707 25.49 -0.28 28.00 26.05 1.317 27.31 28.49 -0.38 27.30 25.05 1.375 27.30 28.49 -0.38 27.30 25.45 8.258 25.891 28.36 -0.35 27.40 25.72 25.4 20.44 -4.5 28.5 28.5 2.098 3.720 -4.2 28.3 28.6 8.715 22.880 -4.5 28.0 248.8 3.224 11,774 -4.6 28.0 248.8 572 6.690 -4.5 28.15 243.2 9.657 27.611 -4.3 28.02 243.5 37 3.026

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Million Metalis. European free market, from Metal Bulletin, \$ per ib in werehouse, unless otherwise stated (act weeks in brackship, where changed, Androny, 99,8%, \$ per tonne, 2,700-2,850 (2,820-2,520). Biernastin min, 99,93%, tonne lots 3,20-3,70. Cadenbase min, 99,93%, so-nos lots 3,20-23,70. Cadenbase min, 99,95%, 95-105 (90-100) cause a pound. Gobalt: MB free market, 98,8% 2,300-23,75 (23,50-24,50); 99,8%, 21,00-22,00 (21,90-22,90). Mercury: min, 99,93%, \$ per 76 ib flest, 162-172 (162-172). Molybdisouse: distrinsed molybdic oxide, 3,35-

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11.25 -8.12 11.97 11.24 3,130 38,790
18.96 -8.11 11.93 10.94 655 16,904
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18.73 -8.03 10.53 10.52 116 5,334
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72,00 +0,00 72,05 71,00 800 7,003 73,05 +0,35 73,70 72,00 3,00 34,173 75,00 +0,40 75,00 74,25 250 7,02 75,00 +0,25 75,00 74,70 125 5,70 76,15 +0,20 76,15 75,55 60 3,90 76,23 -0,22 75,00 75,00 10 804 748 12,571 306 3,350 254 3,800 134 335 8 280 100 185 115.65 +8.95 124.75 124.75

MOLLINE DATA Open Interest and Volume data shown for contracts traded on COMEK, NYMEX, CST, NYCE, CME, CSCE and IPE Crude Cit are one day in among, Volume & Open Interest totals.

INDICES REUTERS (Rese 16/5/3/21/100) Jul 15 month ago 1962.3 2051.6 res (Base: 1987-100) Jul 15 Jul 12 manth ago 250.83 261.56 mt Br GSCr Spot (Base: 1870=100) MEAT AND LIVESTOCK IN LIVE CATTLE CASE PODDODES CONSTRU

67.025 +0.2 98.000 97.175 5.52 22.771 19.775 -0.2 98.575 98.675 78.644 30.617 96.175 -0.25 98.575 98.660 1,000 14.100 96.880 -0.3 98.025 98.175 894 12,782 97.150 -0.25 17.475 18.770 494 4.321 60,250 -0.1 MLSDE 59,800 873 2,150 80,050 -0,275 58,400 57,825 3,574 12,211 2,674 2,607 777 118 -0.5 56.775 35.650 -0.6 56.675 55.550 -0.435 78.000 77.500

BE POWN BELLIES CASS (MAJETERS CONSISTED) +2 91,400 91,400 +2 86,300 86,300 -0,426 84,300 82,450 -0,45 84,250 82,100 -0,1 04,666 83,600 LONDON TRADED OPTIONS

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LONDON SPOT MARKETS THE CRUIDE OIL FOR (per barrel)

Housy Fuel Oit Naphities Jet fuel Dissel \$86-90 \$190-198 \$207-209 \$184-185

13.10-13.90

-0.175

Petroleum Argu EL OTHER Gold ther boy cots Silver (per troy cots) Plethum (per troy cots) Pelledium (per troy cots) \$133.15 Copper Lead (US prod.) Tin (New York) 95.0c 45.00c 15.29r 290.50 -1.00 Cattle line weight Sheep (line weight) Pigs five weight) 102.30p

Lon. day augar (ran) Lon. day sugar (ran) Barloy (Eng. feed) Matzo (US No3 Yellow) Wheat (US Dark North) \$391.40 \$356.00 Unq Unq Unq Rubber (Aug)¶ Rubber (Sep)¶ Rubber (RQ, R&S No 90.00p q00.00p 785.00w \$475.0z Coconex Cil (Prail) Paim Cil (Malay.) Copra (Phili)§
Solvabeens (LIS)
Cotton Cutlook 'A' i \$506.0m 292.0 80.05c

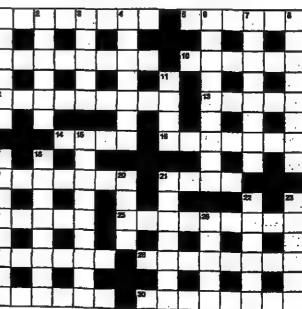
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Midday? No, almost one (4) 16 Lower, being disappointed 21 South African province that (3.4) is for a girl (7)

19 In business, placing advertisement in Herts town (7)

21 Architect taking part in a south Alrican province is for a girl (7)

22 Hamlet, say, incorporated in disheartened procrastinator, Elsinore's leading character.

27 Lead boy round destroyer (6) 28 City left with gold to be received by receiver (8) 29 Smack in quarrel high-handed (6)

30 Presents given out for audacity (8) 1 Reluctant savers expect yield 2 Scolding a sailor (6)

Scandinavians with great dogs (5) Floods providing one religious

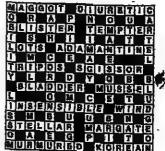
7 Poet composing sonnet about

not Israel (9) 17 Break one's journey and fret too much? (4,4) 18 Shaky seat, alarming, may be

dismembered (8)
20 Dressing found in sugar basin? (4)

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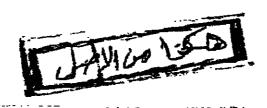
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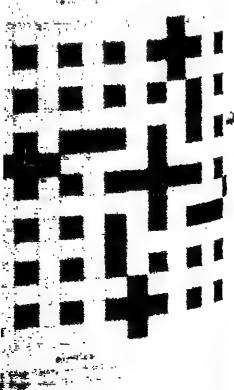
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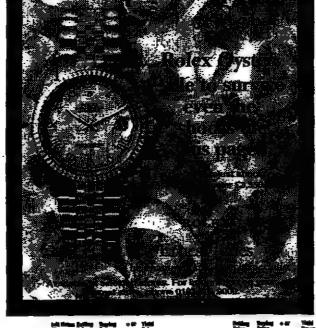
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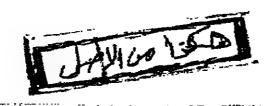
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LONDON STOCK EXCHANGE

FT-SE 100 falls to 1996 low as Wall St drops

UK Stock Market Editor

The FT-SE 100 index fell to its lowest closing level this year, and the FT-SE Mid 250 to a five-month low, as UK stocks absorbed the impact of Monday's near 8 per cent slide by the Dow Jones Industrial

Sentiment in UK stocks was further damaged by the wild gyrations on Wall Street. The Dow kicked off the day in good form and posted a 40-point rise shortly after the start of trading, before coming under intense pressure and falling sharply to show more than a 100-point turnaround after London closed.

The back-to-back three-figure falls on Wall Street occurred 90 minutes after trading in London finished, prompting intense worries in Europe that a much bigger correction in the US, and across other markets, could haupen.

At the close of a tense and nervous trading session in London, the FT-SE 100 index was nursing a 66.0 decline at 8,632.3, a fall of 1.8 per cent. The FT-SE Mid 250 was even more roughly handled, finally settling a steep 90.6 down at 4,201.0, or 2.1 per cent lower on the session. The broad FT-SE Actuaries All-Share index fell 1.9 per cent to 1.808.18, its lowest since March.

The Footsie has now fallen 183.5

points, or 3.5 per cent, since Wall Street began to slide last week. Senior traders were divided as to the chances of UK stocks staging any sort of short term recovery.

The head of marketmaking at one hig European broking firm said he expected London to stabilise and possibly rally if Wall Street managed to finish with something of a reasonable close. "Wall Street is now not far off achieving a 10 per cent correction, which one would imagine is enough for the time being," he said.

Another said he felt the extreme volatility of US markets would trigger widespread selling by overseas holders of US stocks, producing a domino effect across global markets. On the other hand, some said the UK market could be wrongfooted by surprise takeover bids. Activity was further complicated

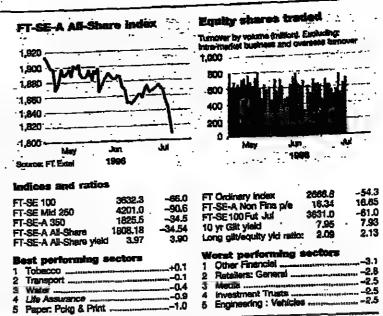
by a series of economic news items, from both sides of the Atlantic. In the UK, news of a higher than expected public sector borrowing requirement for June unnerved gilts. The 10-year gilt fell almost half a point before rallying.

And Mr Eddie George, governor of the Bank of England, caused unease with his evidence to the Commons Treasury committee. He said the latest cut in interest rates could make it marginally more likely that the government's infla-

Over in the US, there was some comfort for bonds with better than expected inflation data and reassur

ing industrial production figures. The Footsie coped well with the Dow's 161-point fall on Monday - its fourth biggest of all time - opening just over 50 points lower as marketmakers took evasive action and chopped quotations to head off any attempted selling. Light selling ensued, however, and saw marketmakers indulging in the usual game of "pass the parcel", selling on the stock to other dealers.

Turnover at 6pm was 780.4m shares. Customer business on Monday was valued at £1.28hn.



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TRADING VOLUME

Bid hope boosts Blenheim

Exhibitions and conference organiser Blenheim leapt 15 to 438p as the stock market got wind that the long awaited bid is finally about to arrive.

It is believed that United News & Media, which bought stock back in May, is poised to make a formal offer - possibly as early as tomorrow. It is not clear what level the company will pitch its bid, but it is thought that Blenheim will accept nothing less than 500p a share. As the Blenheim directors and allies control 40 per cent, any offer will have to be

Takeover speculation has surrounded Blenheim since June when movements in the share price prompted the company to issue a statement that it had received an initial approach from an unnamed company. Some dealers suggested that yesterday's move could prompt a stock exchange inquiry to flush out the interested party.

United fell 27 to 629p and Reed International, which has also been considered a suitor, dropped 22 to 1073c.

BAA bucks trend

UK airports operator BAA was one of the few specs of blue on the Seaq trading screens throughout the day as an otherwise dull market celebrated news of a better than expected proposed pricing

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BAA shares moved strongly ahead by 15 to 493p, making it the best performing stock of the day in the premier FT-SE 100 index, as turnover jumped

for nearly five years. One analyst said: "This is the best that shareholders could have hoped for, and frankly there is great relief in the market that it was not worse. The meeting with analysts was also confident, which

to 13m, its highest daily total

was encouraging.' But it was not all good news for BAA and several analysts pointed to the likely revenue shortfall for the company when inter EU duty free ends in 1999.

Mr Mike Stoddart at Charterhouse Tilney said: "Compared with indications given five years ago by the CAA, this (formula) cuts BAA's revenue £7m, rising to £38m over the life of the review. Thus I do not see this as being a particularly great day for BAA."

P&O pleases

Transport and property group P&O was once again in the spotlight after the UK government said it had decided to end restrictions on cross-Channel ferry operators' alliances.

The move, which was not expected until tomorrow at the earliest, was cheered by market specialists and shares in the group put on another 8 to 500p, in trade of 2.7m. While the government said

curbs should be litted on fares and service pooling, it rejected the formation of alliances, a move analysis had suggested P&O would be considering. However, one analyst said:: "P&O should still be able to

carry out a rationalisation of its ferry operations in the new

improved climate.' Sentiment in the stock continued to be boosted by continued hopes that the company will soon announce disposals, and a positive UBS note on demerger prospects which was published earlier this week.

Pressure on equities in New York and London added to investor concerns over British

The latter's newly floated partly-paid shares fell 3 to 91p in spite of the stabilisation efforts of BZW. But some analysts said the stock, for which institutions paid 105p per share and small investors 100p, should find support near these levels if markets recover,

because of the attractive yield. Concerns are concentrated on a possible fall in the pool price of wholesale electricity, and were compounded last week when the company said it was temporarily shutting down two of its eight nuclear reactors after faults were discovered. Both output and power prices are crucial for British Energy's profitability.

Rank was one of the few stocks to buck the market trend, firming 2 to 465p. Monday's close of 463p was the lowest point since February, One analyst said some investors might be "fishing around for near term value". There was also talk of a presentation to analysts and institutions.

The rout continued among biotechnology stocks as British Biotech slid further below the level at which it pitched its rights issue. The shares were off £1 at one stage but rallied to close 10 down at 2030p. That compares to a rights price of 2050p. Celltech fell 36 to 509p and Scotia 44 to 671p.

Courtaulds, the chemicals group, fell 13 to 422p after a somewhat disappointing trad-

FINANCIAL TIMES EQUITY INDICES Jul 16 Jul 15 Jul 12 Jul 11 Jul 10 Yr ago "High "Low

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ing statement that prompted a forecast downgrade by HSBC James Capel. Sir Christopher Hogg, Courtaulds' chairman, said trading was mostly in line or ahead of last year but profits in the first quarter were

below previous levels. Severn Trent rose 5 to 530p against the trend as vague takeover speculation returned

Encouraging new business figures from Prudential saw the life insurer rise 2 before being dragged back with the market to end 2 off at 413p.

The Pru said single premi-ums grew 36 per cent in the first six months of 1996 to 23.33bn and annual premiums were up 18 per cent to £290m. Charterhouse Tilney said it would maintain its buy stance as the figures showed an encouraging underlying trend. Standard Chartered improved 5 to 645p. The weight of a block of 1.1m shares overhanging the market was

the market at 680p a share. Aerospace and engineering group Hunting tumbled 34 to 1430 after it surprised the market with a profits warning. The group said it expected to "substantial loss" in the first balf of the year after

removed after it went through

provisions and write-offs. Volume in vehicle components group Kwik-Fit rose to 3.8m following a cross of 1m that was done at 2250 a share Shares in the group firmed a

penny to 227p. The stores sector was among the worst affected by the ganeral market retreat, with traders selling a number of stocks which were at a premium rating to the market or which had outperformed recently. There was profit-taking in

Next, which fell 38 to 507n, and Argos, 24 cheaper at 679p. Boots fell 17 to 555p, despite

continuing speculation that drugs might be abolished. Tate & Lyle, with substantial

FUTURES AND OPTIONS US corn interests, fell 10 to 452p on reports from CPC FI-SE 100 INDEX FUTURES (LIFFE) \$25 per full index point pany, that troubles in its corn

third-quarter results. Paper and packaging group David S Smith lifted 4 to 295p ahead of preliminary figures expected today.

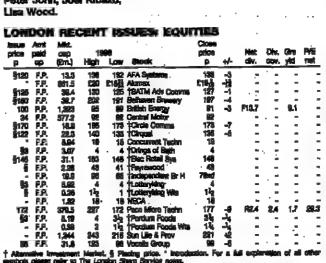
refining business would hit

Lasmo held steady, with a fall of only a penny to 172p after NatWest Securities reiter ated its positive stance on the

The broker believes Lasmo is the only stock in the sector that trades at a serious discount to asset value.

BAT industries moved up a penny to 485p on further enthusiasm for the restructuring of its financial services

MARKET REPORTERS Peter John, Joel Kibazo,



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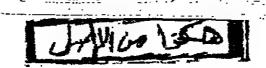
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Financial Times. World Business Newspaper.

Volatile Dow tumbles 120 points by noon

level since last October.

below the level seen at the

tion to the fact that some of

the largest companies in the

US reported relatively healthy

than \$4 earlier in the session. Philip Morris, which is also component of the Dow, fell \$3

at \$97% after putting out earnings exactly in line with esti-

June 5.

Wall Street

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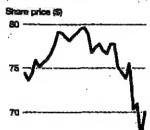
prc

The US equity market gave investors only the briefest hopes of staging a rebound yesterday before resuming the slide that has wiped out most of the gains made so far this year, writes Lisa Bransten in

New York Blue chip shares in the Dow Jones Industrial Average opened stronger, climbing 45 points in the first hour of

Just after 10 am, however, the market reversed course and by 1 pm the Dow was off 121.33 at 5,228.18. Once again it was worries about profitability in the tech-

Eastman Kodak



Jun 1986

nology sector that worried the market. Several companies. including Cypress Semiconductor and CompuServe, the online service, put out warnings about weak profits, and Texas Instruments unveiled second-quarter results well below analysts' expectations. Texas Instruments, which

shed \$3% on Monday on earnings worries, lost another \$\%. bringing shares to \$41%. CompuServe lost \$4% or 30 per cent at \$10% and Cypress was \$% or 7 per cent down at \$9%.

Such downbeat news sent the Nasdag composite, which is about 40 per cent technology shares, down 49.95 to 1.010.24. more than wiping out all of the index's gains for this year, and

European high-techs Continental markets track US lower pressured

out 6.6 per cent lower before

in Paris, Alcatel was FFr12.70

down at FFr407 and SGS-

Thomson was FFr7 lower at

Technology stocks felt the full force of the selling pressure across European markets yesterday as investors embarked on a virtually indiscriminate unpaign to offload the sector. SAP, the computer software taking the index to its lowest

By midday, the Nasdaq had Dax performers in Frankfurt, weakening DM14.50 to fallen by nearly 18 per cent from its high of 1,249.15 on DM205.50, while Siemens fell DM1.70 to DM78.75. Ericsson led a broad market The more broadly based fall in Stockholm, bottoming Standard & Poor's 500 was also

start of the year by midday rebounding to close SKr6 yesterday. down at SKr129.50. Nokia, the At 1 pm it was off 17.19 at mobile telephone group, tum-612.61, compared with 615.93 at bled 5.6 per cent at the openthe start of the year. The American Stock Exchange ing, but edged back up to finish FM5.40 off at FM154.50 in Helsinki. Philips plunged to a 12-month low in intra-day composite fell 15 62 to 517 81 NYSE volume was heading Amsterdam trading, before recouping some of the loss to finish 50 cents weaker at Fl 50. for a record level for the year at 354m shares by 1pm.
The market paid little atten-

FFr154.5. Olivetti, in Milan. earnings. Among companies in dropped L52 to L812. the Dow, Caterpillar, Eastman Kodak and General Motors all Small high-technology combeat analysts earnings estipanies did not remain immune. Esec, the group mates. Still, Caterpillar lost \$% whose shares were among the star performers in Zurich last at \$63, and GM fell \$% at \$46%. Kodak managed to hang on to a gain of \$1% at \$68%, although year, fell SFr275 to SFr4.800. its shares had been up more

Canada

Toronto's declines grew steeper in midsession trade in a broadly based move mirroring developments on Wall Street. The TSE 300 composite index was 42.42 lower by noon at 4,912.90 in volume of 31.7m

Technology stocks were again hard hit in response to the disappointing second quarter earnings statements from their US counterparts. Newbridge Networks dropped C\$4.65 to C\$67.90.

Laidlaw, the waste and transport group, lost 55 cents to C\$12 in further response to its disappointing results reported last week.

Nova, the energy group, added to Monday's fall with another of 10 cents to C\$12.15.

Mexico City off 1.8%

The region's markets were Street, By midsession MEXICO CITY had fallen 50.42, or 1.8 was moderate at 50m shares. Among the market's blue chips. Telmex ADRs were down \$1% to \$28% on Wall Street, while Televisa ADRs were off \$1% at \$33%.

Another big loser was Desc, an industrial company, which fell \$1% to \$18%.

SAO PAULO was sharply lower, with profit-taking seen in the recently strong Telebras.

The Boyespa index slid 3.220. following the direction of Wall or 5 per cent, to 61,009 in turnover of R\$328m, of which some 75 per cent was accounted for bras preferred dropped 4.9 per cent to R\$79.10, while its voting common shares lost 5.2 per cent to R\$64.40.

A senate panel was expected to vote last night on a bill regulating the opening of cellular phone and satellite services to private competition. In BUENOS AIRES the Mer-

val index had lost 17.7 or 3,2

South Africa down sharply

FT/S&P ACTUARIES WORLD INDICES

-0.1 -3.0 -1.8 0.6 0.3 -0.8

-2.5 -0.6 -0.1 0.0

401.66 195.94 262.01 73.52 142.73 535.97

76 51 240 66 202,30 376,21 332,93 167,28

224.08 198.98 264.92 154.88

173.21

Johannesburg feli sharply Johannesburg market had across the board as the market took a beating from Monday's drop on Wall Street. The overall index finished

179.6 down at 6,628.4, while

the industrials index dropped 226.2 to 7,788 and the golds index lost 23.3 at 1,844.3. A London-based analyst pinned the loss to Monday's Another source said the

Germany (59)... Hong Kong (59

Notherland (19) .

North America (747)...

"crashed like a stone" following Wall Street. He added that the immediate reaction of mar-

ket players had been "to run

for cover". De Beers retreated R5 to close at R141. Gencor, which announced after the close that it had boosted its stake in Ingwe Coal to 41.5 per cent, dipped 40 cents to R15.30 and lngwe shed 60 cents to R29.30.

125.45 144.15 128.36 109.12 213.69 133.37 132.43 119.75

104.11 390.93 774.33 201.21 55.81 175.53

147.55 274.40 242.84 122.02 239.21 170.57

111.78

132.27 195.68

149.90 135.55

63,17 198,69 167,02 310,61 274,88

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162.57 141.93 159.45 340.66 155.22 243.98 185.17 153.26 135.55

538.01 9280.42 224.50 61.98 222.10 276.10 257.21 337.35 169.50 342.08 190.12

158.04

197.08

-2.5 -0.7 -0.2 -0.4 -2.5 -0.8 -0.5 -1.4 -1.7

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2.30 3.12 2.37 1.20 2.11 2.31 2.52 3.05 2.12 2.00 2.63

Volatile movements in the US equity markets during the afternoon kept Continental markets under pressure. PARIS wilted under the pres-

sure and, although recovering from the intra-day low of 1.975.68, the CAC-40 index finished well under the 2.000 level, off 40.00 at 1,989.51. Turncompany, was one of the worst over came to FFr7.2bn.

There was movement in Eurotunnel, down 20 centimes, or 2.2 per cent, at FFr8.75 on news that the UK government was to lift restrictions on allowing P&O to collaborate with competitors on the cross-

Channel route. Renault shed FFr8 to FFr120 on disappointing sales data. Docks de France declined FFT9 to FFT1,218 as speculation continued about a possible counter-bid to Auchan's hostile

Casino fell FFr5.10 to FFr199.80 on a report that it might combine with Tesco to engineer a rival offer. FRANKFURT made a slight recovery in the late afternoon after the Dax index had closed earlier with a loss of 80.74, or 3.2 per cent, at 3,469.79, its lowest finishing level since early

The Ibis ended at 2,475.98. Turnover was DM11.2bn. Bayer and BASF dropped a to DM50.45 and DM41, while Daimler was down DM1.60 at DM78.45 and Volkswagen off

pressure as the AEX index hectic day's trading.

Unilever FI 6.50 to FI 236.10. the company said it had com-

shares in the international and

THE DAY'S CHANGES

ZURICH fell through support at around 3,680 during a ses-

DM16 at DM531 AMSTERDAM was under

tumbled 10.97 to 528.27 in a Among the main highlights, Royal Dutch dropped F18.50 or

3.2 per cent to F1 254.30 and Ahold, the international food retailer, fell F13.70 to F185.00 with US investors seen supporting the issue. On Tuesday

THE DAY'S CHANGES % Change Stockholm

pleted its global offering of 36m

THE EUROPEAN SERIES Open 10.30 11.00 12.00 13.00 14.00 15.00 Close FT-SE Burokack 100 1629.94 1627.53 1625.49 1620.54 1619.46 1621.60 1624.37 1524.77 Jul 15 Jul 12 JM 11 . Je 10

sion that was heavily influenced by derivatives linked transactions, and the SMI index, down more than 110 points at one stage, finished a

net 77.3 off at 3,678.1. Nestlé was SFr36 lower at SFr1.430 as its first-half sales failed to match many expectations. While analysts said that they planned to keep earlier sts for sales and profits for the full year, they ques-tioned why sales volume in the first six months, excluding acquisitions and divestments, grew by only 3.6 per cent, compared with forecasts that had

The Novartis partners fell in line with the market ahead of approval, expected today, from the European Commission for their merger plan. Ciba shed SFr31 to SFr1,493 and Sandoz was SFr37 lower at SFr1,394 although one analyst suggested that both could

ranged as high as 5 per cent.

bounce higher if the conditions required by the commission for their union did not prove unduly onerous.

MILAN remained under presure from concerns over the government's fragility, with only Mediaset, which made its debut on the bourse on Monday, bucking the downward

The Comit index slid 18.91 to 610.90 .hut Mediaset jumped L265, or 3.6 per cent, to L7,581 on news that it would enter the Morgan Stanley Italy index on

BRUSSELS witnessed Electrabel, the electricity utility, bucking the negative trend ending the day BFr10 higher at BFr6,790. Electrabel has the highest market capitalisation on the bourse.

The Bel-20 index closed 1.5 per cent lower at 1,667.77 on turnover of BFr3bn. COPENHAGEN was pulled hour of trading.
The KFX index was finally

: :

1.74 off at 115.55, after falling as low as 114.79, with turnover at DKr652m. TeleDanmark, the telecommunications operator, was the most heavily traded issue and ended down DKr1 at DKr282.

VIENNA hit its lowest level in six months, with the ATX index losing 18.89 to 1,031.00, up from a session's low of 1,025.52. Stahl fell Sch17.8, or

5.3 per cent, to 319.20. WARSAW had closed before the central bank announced a cut in its Lombard and discount rates. The Wig index lost 297.4 to 13.096.9, and turnover

fell 20.7 per cent. ISTANBUL recouped some of its early loss on selective demand in the afternoon. The composite index was off 250.77 to 68,404.22, after losing 1 per cent in the morning. Turnover rose to TLA,950bn from Mon-

day's TL4,400bn. BUDAPEST fell for the sixth consecutive session as the BUX index shed 105.95 to 3,077.79. Molmolb, the oil and gas company, slid 10 per cent to Ft1 470, while Richter, a drugs maker, lost Ft50 to Ft6,200.

Written and edited by Michael Morgan, John Pitt and John Diudiu

The Straits Times Industrial

index finished 1.35 softer at

2,179.45 in thin volume of 95.7m

BOMBAY was led sharply

lower by falls in cement and steel shares after rail freight

charges were raised by 10 per

cent. The BSE 30-share index

lost 67.44 at 3,644.93, having ini-

Tumbling Nikkei sees fourth largest daily loss of year

% Change

The Nikkei registered its fourth largest daily loss of the year in response to the overnight fall on Wall Street, writes Emiko Terazono in Tokyo.

The 225-issue average shed 347.07 to 21.406.35, after moving between 21,362.94 and 21,636.76. Monday's slide in high-technology stocks on Wall Street hit electricals and semiconductor

Volume was 302m shares, against 234m. The Topix inde of all first section stocks fell 18.36, or 1.1 per cent, to 1,626.11 and the Nikkei 300 lost 3.69 to 300.72. Declines led advances by 885 to 176, with 146 issues

> In London the ISE/Nikkei 50 index eased 0.35 to 1,441.11. earnings. Small-lot bargain hunting by domestic institutions helped recoup some of

> the earlier losses, but overall sentiment remained gloomy. Traders said fluctuations on by Wall Street in the near term, although they hoped that 21,406, the closing figure for

trading on March 29, the last day of fiscal 1995, would serve as a support. High-technology shares were lower on seiling by foreigners: Hitachi fell Y26 to Y984 as reports that it had suspended production at one of its semiconductor plants added to the pessimism. Canon lost Y140 to Y2,010, Toshiba fell Y16 to Y735

Cars were weaker, with Nissan Motor down Y9 to Y912. Uncertainty over interest rates continued to weigh on banks: Dai-Ichi Kangyo Bank fell Y40 to Y1,820 and Sumitomo Bank declined Y30 to

and Sony declined Y120 to

Brokerage companies lost ground on earnings fears due to the recent decline in trading volumes on the Tokyo stock exchange. Nomura Securities fell Y20 to a new low for the

nal Limited, Goldman, Sochs & Co. and Standard & Poor's. The indices are compiled by FT-SE Internal

133.40 133.91 119.55

294.15 143.54 194.19 55.82

104.26 383.51 801.63 203.65 58.42 178.73

148,53 277,61 244,47 123,81 240,73 171,72

179.26

156.22 114.42 223.80 163.91 250.76 183.65

117.99 445.31

907.16 230.46 63.84 200.00

151.04

273.36 259.80 337.26

180.25 202.10 252.43 206.37 185.77 183.28 213.30 189.33 236.14 259.87 306.61 261.13 129.28 115,10 177.01 148.85 143.81 140.91 180.57 166.51 202.85 255.63 269.52 220.03

158,96

198.05 187.25 179.85 177.75 206.95 187.85 189.70 181.18 189.35 122.19 304.49 182.15 191.43 182.15 191.43 182.15 170.91 183.22 420.52 491.83 205.20 195.52 277.81 265.14 78.80 78.22 149.05 142.58 582.57 537.29 1148.02 1094.53 291.14 278.05 582.57 537.29 148.02 1094.53 291.14 278.05 291.44 279.05 305.85 77.03 252.86 241.31 209.48 200.75 349.50 333.80 177.00 189.05 344.14 238.68 445.50 234.47 163.57 165.25 234.32 233.80 234.37 165.25 234.37 238.68

240,34 229,54 209,42 200,01 298,31 284,91 162,05 154,78 181,67 173,51 256,27 244,75 190,81 182,23 281,90 269,24 183,06 174,84 204,92 195,71 238,63 228,87

rities Y100 to Y1,110.

On the positive side, Japan Airlines gained Y12 to Y905 on purchases by foreign brokers who were encouraged by the company's rationalisation

Speculative stocks rose: TYK, a firebrick manufacturer, gained Y60 to Y1,070 and Sansui Electric Y16 to Y290. In Osaka, the OSE average fell 198.31 to 22.676.95 in volume of 20.6m shares. Nintendo. the video game player, ended

Roundup

Y260 off at Y7,370.

US influences dominated regional markets.

SYDNEY tumbled to its lowest closing level in eight months. The All Ordinaries index, down by more than 2 per cent in the first 30 minutes, finished 46.5 weaker at 2,100.6 in turnover of A\$967.9m. The decline was the heaviest oneday correction seen since March 11 this year.

cents to A\$5.53 and Newcrest of A\$15.97.

fell 11 cents to A\$5.27, Commonwealth Bank 8 cents to

index falling 6.89 to 1,181.05 in turnover of Bt4.95bn. In spite of the general gloom, banks were the main beneficiaries of bargain hunting by

domestic investors. Bangkok Bank's local stock rose Bt2 to Bt228, in contrast to the foreign issue, which softened Bt2 to Bt336.

losses, but closed off the ses-sion's low, with investors said to be fearing further heavy falls on Wall Street. The Hang Seng index lost 172.15 at 10.627.98, having

dipped to 10,564.33, in turnover

up to HK\$6.3hn from HK\$3.3hn.

212.18 198.73

198,73 215,81 189,70 165,12 309,01 276,11 198,39 174,38

Hung Kai Properties shed HK\$2 to HK\$72.25 and Henderson Land HK\$1.50 to HK\$55.25. JAKARTA's JSX index fell

The property sector was

hardest hit by selling, taking

the Hang Seng Properties sub-

index down 389 to 19,788. Sun

99.6m shares worth Rp234.8bn. Domestics remained interested in property shares, such as Duta Anggada Realty, up Rp300 to Rp2,275, and Dharmala Intiland, which gained Rp75 to Rp2,175 on merger COLOMBO was heavily sold

in financials and diversified blue chips. The All Share index receded 9.9 to 560.6 in turnover of SLRs8.1m. Foreigners were seen as buyers, however. TAIPEI finished at its lowest

point since the start of June. The weighted index declined 107.02 to 5,955.5.

There was some disappointing domestic economic news with the release of data showing that GDP had grown by 5.31 per cent in the first quarter, down from an official

The electronics index fell 2.2 per cent, with Taiwan Semiconductor sliding T\$3, or 5.66 per cent, to T\$50, and United Microelectronics losing T\$1.30, or 4.9 per cent, to T\$34.70.

SEOUL edged down

another low for the year, and the composite index closed L45 off at 812.66 after rebounding from a low of 800.42. New York's falls hurt some

technology linked shares. Tri-gem Computer lost Won1,300 to Won30,500 and LG Information and Communication fell Won2,500 to Won100,000. SINGAPORE was flat in the absence of any compelling rea-

son to buy, and with foreign funds sidelined pending a bet-

ter understanding on the

tially risen to 3,746.58. Reliance bucked the trend, rallying Rs7.5 to Rs203.75 on continued speculative buying.
KUALA LUMPUR ran into profit-taking in some of the market's recent winners and

the composite index finished: 10.64 down at 1,123.77. WELLINGTON saw thin trading volume as the NZSE-40 Capital index surrendered 28.76

retreated 48.99 to 3,199.32.

to 2,061.27. MANILA's composite index

Overseas institutions led the selling following heightened worries over US corporate FT Conference 29 & 30 August 1996

Plutonic Resources fell 23 ₩r Robert Ayling

Kuala Lumpur.

Singapore.

BHP was down 48 cents to A\$16.02, after an intra-day low The banking and finance index lost 1.3 per cent: Westpac

A\$9.93 and National Australia 11 cents to A\$11.27. BANGKOK was also at an eight-month low, with the SET

HONG KONG posted heavy

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